

OVERSEAS NEWS

Three killed by security forces in South Africa

BY JIM JONES IN JOHANNESBURG

A LARGE crowd of black youths rampaged through Durban's beach area yesterday, setting fire to one police vehicle and smashing several cars. The Durban disturbances appear to have been triggered more by high spirits than by political protest but they followed a number of incidents of violence elsewhere which were prompted by black political protests. Police report that several attacks were made on police and private vehicles and official buildings in townships near Cape Town, Bloemfontein, Uptington and Grahamstown. At least three people were shot dead by police and local government officials during the attacks. In his new year's address to the nation, President Pieter Botha took a tough line against the nationwide black insurrection, apparently aimed at reassuring right wing supporters who have grown increasingly critical of the Government's tentative attempts at reform. He told television and radio audiences he believed his Government's responsibility lay in maintaining "Christian values and civilised norms," which included language and cultural rights, protection of private property, the right to an independent judiciary and freedom of religion and worship. But he was highly critical of external advice. He said that, despite the reform which has taken place, "the world still demands more of us, without contemplating the disastrous results for our country."

Mitterrand pledges to retain office even if Left defeated

BY DAVID HOUSEGO IN PARIS

PRESIDENT Francois Mitterrand told the French people yesterday that he would remain in office even if the Left was defeated in parliamentary elections in March. In a televised New Year message unusually political in tone, the President championed his administration's record declaring that inflation was at an 18-year low and that unemployment had ceased to climb for the first time in 16 years. He also implicitly challenged a future right-wing government to reverse the social reforms brought in by the Socialists including the introduction of a five-week paid holiday and the possibility of early retirement at 60. The markedly political tone of the message is a further sign of the President's intention to take an active part in the campaign which will move into high gear once the New Year holidays are out of the way. Socialist and Opposition leaders have planned a heavy round of television appearances and public meetings in the ten weeks leading up to the elections on March 16. The opposition is expected to formally elect their platform on January 16 though the broad outlines of their programme of deregulation and denationalisation are already known. In insisting that he will remain in office whatever the results in March, Mitterrand's intention is to lay low the argument that a severe defeat for the Socialists would force him to resign. Mr Raymond Barre, the former Prime Minister, is campaigning on the lines that a massive right-wing victory in March will leave Mr Mitterrand no choice but to step down. President Mitterrand's reply in his New Year message was to say that he would guarantee the national unity. I have there to ensure the continuity of our institutions...

East German guards may stop shooting at escapees

BY LESLIE COLTIN IN BERLIN

THE WEST GERMAN Government sees a "possibility" this year that East Germany may withdraw its standing order to border guards to shoot at escapees. The orders to wound but not kill escaping citizens were suspended during the summit meeting last November between the Soviet and American leaders in Geneva according to diplomats in East Berlin. The Ministry of Inner German Relations in Bonn said if the shooting of escapees was eliminated, the West German would raise its legal office which registers East German border shootings as crimes. East Berlin has repeatedly demanded its closure in the past. The Ministry said 21,000 East Germans were legally allowed out to West Germany up to December 1 last year. This was half the number of 1984 but it was still double the average annual emigration rate over the past decade. West German officials believe East Germany can be encouraged to allow these citizens who would otherwise be tempted to escape to leave. In order to deter escapees however, East Germany has completed an electronic fence which is able to detect them before they reach the final border strip. This metal fence fitted with sensors has replaced automatic shrapnel guns and land mines which were used to guard the border.

Spaniards swallow reality of EEC

By David White in Madrid

TWELVE WAS the magic number as Spain celebrated its New Year and simultaneously crossed the border into the European Community: 12 for the 12 grapes which millions of Spaniards, following tradition, have to swallow for each midnight stroke of the clock, 13 for the 12 members of the enlarged EEC, and 12 for the 12 per cent of basic-rate value added tax, the first, and so far only, visible change as a result of membership. "If it were not for VAT," the Catholic daily newspaper Ya said in a headline on Tuesday, "we would realise that the doors of Europe were opening tomorrow." Bus fares, train fares, bread and milk prices are among the New Year increases that Spaniards would realise that the doors of Europe were opening tomorrow. The authorities express confidence that other prices will come down — but are privately very concerned about the risk that Spain's EEC debt could be characterised by a spurt in inflation and not much else. Yesterday, because of the holiday, there were no newspapers in commemoration of Spain's final achievement of membership, its desire of more than 20 years. Today, when they come out again, readers will find that cover prices have gone up by 20 per cent. The Government spared anxious readers of its official gazette another kind of shock by holding back the distribution of a special edition containing 687 pages of "decrees" to the accession of the Kingdom of Spain and the Portuguese Republic to the European Community. Here, from quotes on cotton shorts to protection of the banana crop, is everything the EEC is really about. Many Spaniards, as Mr Francisco Fernandez Ordonez, the Foreign Minister, warned in an article this week, have been under the impression that they would be going to bed one day as members of the Third World and getting up the next as Europeans. They were not, he said, going from zero to infinity in an "historic moment" in terms of its links with the EEC, Spain was not starting at zero, and Europe in its present state was not industry.

Carrington begins visit to Spain

LORD CARRINGTON, Nato's Secretary General, is due to begin a politically delicate two-day visit to Spain today three months before the country votes in a hard-fought referendum on whether to remain in the Atlantic Alliance. Reuter reports from Brussels. Prime Minister Felipe Gonzalez invited Lord Carrington for his first visit to Madrid at fairly short notice, apparently convinced that the former British Foreign Secretary could give Nato the right European image to sway undecided voters, Nato officials said. Mr Gonzalez is hoping Spain's accession yesterday to the European Community will transform an anti-Nato majority in last year's public opinion polls into a vote to remain in the alliance, which it joined under a centre-right government in 1982.

RETRIBUTION FOR AIRPORT RAIDS Israel may go for Libyan targets

BY ROGER MATTHEWS, MIDDLE EAST EDITOR

THE LIKELIHOOD of Israeli military action against targets in Libya in retaliation for last Friday's terrorist attacks at Rome and Vienna airports has increased sharply in the past 48 hours. The US and Israel have stepped up what appears to be a concerted campaign aimed at pinning responsibility for the attacks on the extremist Palestinian faction headed by Abu Nidal which the two countries claim is funded and trained by Libya. Mr Shimon Peres, Israel's Prime Minister, said in a speech to Parliament yesterday that "unequivocal sanctions" had to be taken against countries which financed and supported international terrorism. He repeated Israel's determination to strike against terrorists and asked why such international leniency had been shown towards Libya. "If this leniency is not stopped the war against terror will never succeed," he warned. The US has already given its blessing for retaliatory action against the terrorists. Mr Larry Speakes, the White House spokesman said that "if we or any other nation can find out who they are and wipe them out, that is fine with us." News agency reports from Washington claimed that President Reagan had received from the Joint Chiefs of Staff a list of military options, including air strikes against Libya. A classified version of the State Department document was made available to other governments last month following the hijacking of an Egyptian airliner to Malta for which Abu Nidal was also blamed. That incident led to a sharp increase of tension between Egypt and Libya. Egypt accused Libya of complicity in the hijacking and reinforced its military forces on the border amid speculation that Cairo was planning some form of retaliatory action. Israel has demonstrated several times the range of its air power, most recently in the West Bank when it bombed the headquarters of the Palestine Liberation Organisation in Tulkarm. With the US Sixth Fleet in the eastern Mediterranean able to offer considerable assistance

in any strike force attacking Libyan targets and Egypt not posing any threat, the military option for Israel is highly viable. This is appreciated in Libya where the regime is making belated efforts to distance itself from the terrorist attacks in Rome and Vienna. A statement said the Libyan news agency had not reflected the government view when it praised the gunmen. Libya, it claimed, neither supported nor sponsored international terrorism. There is a strong body of opinion in Israel which believes that the US should be closely associated with any retaliation against Abu Nidal and Libya. A spokesman for the right-wing Likud said in Parliament yesterday that "we must tell our American friends that Israel's courage cannot replace their own action against terrorism." He claimed there was growing resentment against the US expecting Israel to do "the dirty work" of striking back at terrorists.

Hussein-Assad summit benefits both sides

BY TONY WALKER IN AMMAN

SYRIA AND Jordan have advanced their reconciliation efforts, but fundamental differences remain on key Middle East questions such as the Gulf War and the peace process itself. That is the assessment of observers in Amman, following this week's summit meeting between King Hussein of Jordan and Syria's President, Mr Hafez al-Assad. No communique was issued at the end of extensive talks between the two leaders, their first meeting in six years. Jordanian officials are, nevertheless, describing the summit as a success. The chill that prevailed in relations appears to have dissipated. King Hussein and President Assad were pictured in warm embraces on the front pages of yesterday's Jordanian press, after their several days of talks. Western officials note that King Hussein's mission to Damascus was probably the best organised and most effective of the radical Palestinian terrorist groups. It claimed that the concentration of Abu Nidal attacks on Western European targets had coincided with the strengthening

of his links with Libya. The likelihood of Libyan financing, safe haven and logistical assistance should be very helpful to his future international terrorist operations," it added. A classified version of the State Department document was made available to other governments last month following the hijacking of an Egyptian airliner to Malta for which Abu Nidal was also blamed. That incident led to a sharp increase of tension between Egypt and Libya. Egypt accused Libya of complicity in the hijacking and reinforced its military forces on the border amid speculation that Cairo was planning some form of retaliatory action. Israel has demonstrated several times the range of its air power, most recently in the West Bank when it bombed the headquarters of the Palestine Liberation Organisation in Tulkarm. With the US Sixth Fleet in the eastern Mediterranean able to offer considerable assistance

Singapore sees second year of no growth

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S 2.5m people, who have enjoyed 20 years of economic growth averaging a remarkable 9 per cent a year, have been told to expect an unprecedented second successive year with no growth in 1986. The warning came in a sombre New Year message from Mr Lee Kuan Yew, the Prime Minister since 1959, who said two full years of wage restraint and even wage cuts were now needed. "We must get back our competitiveness for a recovery," he declared. Mr Lee said Singapore's gross domestic product had contracted 1.7 per cent in 1985—slightly less than the 2 per cent figure he projected earlier—and announced that his Government was forecasting zero growth in 1986. A total of 90,000 jobs had been lost over the past 12 months, he revealed, two-thirds of them involving foreign workers. Unemployment, already at 4 per cent, would rise to 6 per cent under the current school-leavers sought jobs. Real wages rose by 2.5 per cent in 1985, but productivity grew only 1.2 per cent. On the recent controversial proposal to cut contribution to the Central Provident Fund (CPF), Singapore's compulsory saving scheme, he was cautious. Mr Lee has strenuously opposed such a policy-reversal in the past, and specifically identified the latest idea with his "youngeer colleagues." But he did not rule it out, saying a two-year cut in employers' contributions was "one of the options" CPF savings, he acknowledged, would contract the economy unless they were channelled back into the private sector.

Nigerian budget plans promise radical structural changes

BY PATTI WALDMER IN LAGOS

IN A New Year's Eve message to the nation, Maj Gen Ibrahim Babangida, Nigeria's President, outlined a 1986 budget programme which aims to effect major structural changes in the Nigerian economy. The highlights of the budget are: Petroleum product subsidies: Government subsidies on petrol and diesel prices have been slashed, leading to a 100 per cent rise in petrol prices and more than a 150 per cent increase in diesel price. Keroseene, a major household fuel for Nigerians, has not been affected. Government expects to save N900m (£61m) through the move, at least 50 per cent of which is to be spent on rehabilitating some 40,000 kilometres of rural feeder roads to stimulate agricultural production. Exchange rate: President Babangida gave a clear commitment to reduce the overvaluation of the naira (which now trades at about 1/5th its official value on the black market), listing the adoption of a "realistic exchange rate policy" as a primary feature of Nigeria's economic recovery programme. He gave few details, although the budget implies a continued downward float of the naira rather than a one-off devaluation. He makes a passing reference to the introduction of a "second tier foreign exchange market," which bankers and businessmen in Lagos believe could involve the free sale or auction of a limited amount of foreign exchange held in local accounts by Nigerians. No details of the proposed system are given. Import liberalisation: A

gesture is made towards liberalisation with the introduction of a new category of import licence which would allow individuals to finance exports with their own foreign exchange holdings, without recourse to the Central Bank. Rigid rules, however, will still determine the allocation of all licences, including the new category with agriculture and manufacturing industries the priority sectors. Imports of raw materials and spares are to be boosted capital utilisation in industry to 55 per cent in 1986 from about 20 per cent at present. Debt service: No more than 30 per cent of the foreign exchange budget for 1986 (projected at N9,582m) is to be used for debt service. Bankers believe that the N2.5bn set aside for debt service will not even cover the service of medium- and long-term debt, leaving no funds available for the continued issue of promissory notes to cover several billion dollars in overdue trade debts. Government is currently servicing some \$1.2bn in overdue trade debts but Western diplomats and bankers believe that as much as a further \$4bn to \$4.5bn in legitimate insured and uninsured debts exist. Nigeria disputes this figure and is understood privately to be prepared to repay no more than \$4bn in total (including notes already issued) and perhaps as little as \$3.2bn. Import levy: A flat 30 per cent levy will be charged on all imports in addition to all current duties. Government hopes to raise N1bn through this measure, to be used to promote non-oil exports. Export promotion: Various incentives, including provision for non-oil exports to retain 25 per cent of export revenues for their own use, are to be introduced. Food exports, hitherto banned, are to be encouraged. Non-oil exports are to contribute 17 per cent of foreign exchange revenues in 1986, up from an average of 3 to 5 per cent in recent years. Counter trade: To be selectively encouraged, especially as a means of obtaining project finance. State-owned companies: Government subsidies to state-owned companies are to be halved and state holdings in some profitable sectors to be sold off. Agriculture: Food self-sufficiency is to be achieved within two years, and local processing and exports are to be encouraged. Structural barriers in the economy are to be removed to stimulate agriculture. Government spending: Expenditure is to rise sharply to N11.5bn in 1985, in what Maj Gen Babangida presented as a balanced budget. The overall defence budget is to be cut by 19.4 per cent.

Canadians make large Arctic oil discovery

By Bernard Simon in Toronto

AN OIL discovery which may be the largest ever in Canada has revived hopes of a commercial oilfield off the Canadian Arctic coast. Gulf Canada, a subsidiary of Olympe and York, the Toronto real estate and natural resources group, said that results from a test well in the Amauligak structure beneath the Beaufort Sea indicated reserves of more than 400m barrels. The well is located about 45 miles north of the hamlet of Tuktoyaktuk in the north-western Arctic. Mr Keith Macdonald, Gulf's vice-president for exploration, said that the Amauligak structure was the necessary characteristic to be the lead prospect for expansion of oil development. The discovery caps an 18-year search for oil off the Arctic coast, which is estimated to have cost participants around \$250m (£25m). Much financed by generous government grants. A token cargo of oil was carried by an icebreaking tanker from Cameron Island in the high Arctic to Montreal last August, but the shipment was mainly a symbolic gesture. Gulf estimated that one zone of the Amauligak structure, at a depth of around 12,200 feet, has a production capacity of 35,000 barrels a day. The well, known as Amauligak-1-65, was drilled in 105 feet of water. Commercial production is tentatively scheduled for the early 1990s. Mr Caldwell said that an oilfield in the area is viable at current oil prices with present levels of government incentives. Further discoveries are needed however, to justify construction of a pipeline linking the Beaufort Sea to existing lines from an oilfield at Norman Wells on the Mackenzie River. Gulf Canada has a 52 per cent interest in the Amauligak discovery. Its partners include two Canadian companies, Shell Oil and Norcen Energy Resources, and Mobil Oil Canada, Exxon's Canadian subsidiary, Imperial Oil, and Dome Petroleum of Calgary, are also involved in Beaufort Sea oil exploration.

Premier calls for calm in Pakistan

By Mohammed Aftab in Islamabad

MR Mohammed Khan Junejo, the Prime Minister of Pakistan, urged all politicians in a New Year's Eve appeal to stay calm so that the lifting of martial law could be given a chance to work. He also announced a number of economic measures aimed at reviving the sluggish economy. Speaking on radio and television Mr Junejo said the lifting of martial law last Monday by President Zia ul-Haq, after eight and a half years, has provided the country with a rare opportunity to establish and strengthen democratic institutions. It has opened up the possibility of future changes of government not brought about by violence or the imposition of martial law as happened in 17 of the 38 years since independence. His economic measures are essentially an updating of the current sixth Five Year Plan. March was estimated to cost \$38bn. A tripling of spending on education so that it will amount to 3 per cent of national income. The idea is to double the literacy rate to 50 per cent of the population. An increase in spending on public projects such as roads, electricity and health care. A high powered agricultural committee will be set up with the aim of increasing farm output and reducing food imports.

Reginald Dale, US Editor in Washington, reviews the Commerce Department's weighty annual survey of US industry Service sector set to lead healthy industrial growth in 1986

THE US industrial outlook for 1986, published by the Commerce Department yesterday, presents a healthy picture of broad-based growth, again led by the service sector. Introducing the comprehensive annual survey, Mr Clarence Brown, deputy commerce secretary, said that the coming year should be a good one, "by and large better than 1985." The weighty 648-page volume analyses the prospects for over 350 US industries, of which 216 are in the manufacturing sector, representing almost 80 per cent of US manufacturing output. It is the Administration's official assumption of a 4 per cent increase in real Gross National Product this year, with little growth in industry. Mr Brown said. But new services jobs are not at the expense of agriculture and manufacturing industry, where productivity was increasing, nor were they necessarily badly paid. Growth in high-tech industries continues to be dramatic despite competition from abroad, but sustained growth was not restricted to these advanced sectors, Mr Brown said. Peripherals and envelopes, for example, had shown consistently healthy growth, while railroad equipment and printing machinery should gain significantly in 1986. The construction industry would expand by 6.0 per cent, up from 5.5 per cent last year. Taken as a whole, 1986 will be the fourth consecutive year of increasing shipments by US manufacturing industries, the survey says. Median industry shipments are forecast to increase by 2.5 per cent (on a constant dollar basis), against 2.0 per cent in 1985. Manufacturing industries not experiencing growth will decline from 30.1 per cent last year to 22.7 per cent in 1986 (against 67 per cent at the end of the last recession in 1982). The low percentage of declining industries is an indication

FORECAST GROWTH RATES FOR 1986. Table with 3 columns: TOP TEN MANUFACTURING INDUSTRIES, LAST 10 MANUFACTURING INDUSTRIES, TOP 10 SERVICE INDUSTRIES. Includes rows for Semiconductors, Turbine generators, Mutual funds, etc.

Percentage decline in shipments since 1972. Table with 2 columns: Industry, Decline in shipments % value. Includes rows for Primary zinc, Women's footwear, Cigars, etc.

of the other major industrialised countries and the international debt crisis. Mr Bruce Smart, commerce under-secretary for international trade, said that the rate of manufactured import growth was now slowing. "We expect 1985 to show an increase of 10 per cent compared with 36 per cent in 1984, and most of our analysts forecast a further slowdown in import growth for 1986," he said. Mr Smart said that US industry was now in a much better shape to compete internationally and that the trade balance would start to improve in 1986. He cited the discipline required by the so-called Gramm-Rudman balanced budget amendment, mere comparable growth rates in the US, Western Europe and Japan, greatly increased US competitiveness over the past few years, and US productivity increases. But these favourable factors were more likely to result in reduced imports than increased exports, he continued. The deterioration in the US trade balance in the same period has been "much greater than usual" during a recovery period, the survey says. The three major factors have been the strength of the dollar, the lagging recovery in some of

Rights restored to Bandaranaike

The political rights of Mrs Sirimavo Bandaranaike, twice Prime Minister of Sri Lanka, leader of the main opposition Freedom Party (SLFP) and President Jayawardene's formidable political rival, have been restored by a presidential pardon, Mervyn de Silva reports from Colombo. In October 1980 Mrs Bandaranaike was expelled from parliament and deprived of her political rights for seven years. This followed a report by a special presidential committee which inquired into "abuse of power" during the seven-year rule of Mrs Bandaranaike.

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\$80bn likely to be spent on world's airports

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SOME \$80bn (\$56bn) is expected to be spent in the next 15 years on building airports and on modernising and expanding existing airports to meet the demands of air traffic growth worldwide.

A survey undertaken by Airports International magazine shows that virtually all leading world airports are to be expanded and modernised. Some of the work is already under way. The survey notes that only two wholly new airports are planned—at Denver and Munich.

The expansion programme stems from the belief that the 1985 total of 892m passengers worldwide on scheduled international and domestic services (or over 1bn if non-scheduled and charter passengers are included) is likely to double by the end of this century, if current growth rates are maintained.

The Far East has now become the fastest-growing area for airport development. China alone is planning 300 facilities to cope with its ambitious civil aviation plans.

Japan is planning to spend \$15bn on construction at Tokyo and Kansai, and Pakistan, Malaysia, South Korea and Taiwan are all spending large sums to upgrade international airports.

In the US, Denver will soon start building the largest international airport in the world, to cater for 100m passengers a year (against the present 45m handled by Chicago's O'Hare), with the first stage due to be ready by 1991.

Major expansion is also planned at New York's Kennedy airport (where a \$1bn central complex is planned), and at Chicago, where a \$1bn expansion is planned to cope with up to 65m passengers a year by 1995.

In Western Europe, the new 5m to 6m passenger Terminal Four at London's Heathrow opens in the spring, a 6m passenger terminal is being built at Gatwick, and plans are under way to expand Stansted in Essex up to 7m to 8m passengers a year. Large-scale expansion is also planned for Manchester International airport.

Major development plans are also planned for Amsterdam's Schiphol, Munich and Frankfurt. At Munich, plans for "Munich Two," costing \$1.5bn, have been given the go-ahead. Situated 25 km outside the city, it is due to be ready for 5m passengers a year by 1991.

At Paris, Charles de Gaulle, a third passenger terminal, costing \$65m, is planned for 1988, while in Amsterdam over \$400m is to be spent over 10 years to take Schiphol's capacity from the present 16m to 20m passengers a year by 1995.

UK company in venture to boost China dairy herds

BY PETER MARSH

INTERNATIONAL EMBRYOS, a small British company, has formed a joint venture with the Chinese province of Guangzhou to develop expertise in breeding techniques aimed at increasing China's stock of dairy cattle.

The partners are each investing \$125,000 (£87,000) in the Jinan International Embryos Centre, to be based in Guangzhou and to be closely associated with the Institute of Reproductive Immunology at Jinan University.

International Embryos, based in Banbury, has developed techniques in embryo transfer

during work at Britain's Milk Marketing Board.

With these techniques, the company hopes to transplant fertilised embryos from China's small stock of dairy cattle to the much more numerous beef cows, so increasing the dairy population.

Mr Michael Leburn, chairman of International Embryos, said the joint venture would aim to expand the number of cows in Guangzhou from 40,000 to about 500,000 within five years.

The whole of China, with 1.1bn people, contains only 500,000 dairy cows and 100 times that number of beef cattle.

David Dodwell reports on one of the world's most formidable competitors Hong Kong exporters triumph in adversity

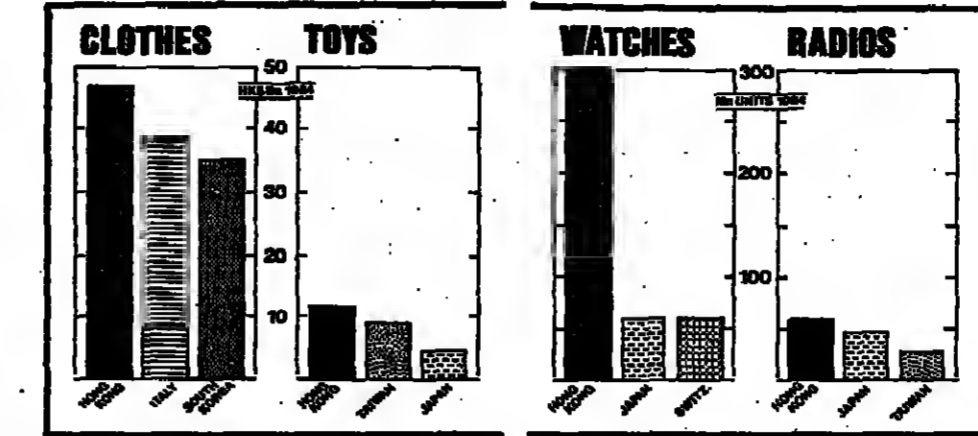
CORNER a Hong Kong industrialist and ask him to spill his innermost thoughts about the future of the territory's manufacturing industry, and you are likely to get a furrowed brow, along with irritable references to protectionism and world recession.

The textile sector, which accounts for about 40 per cent of exports, has faced protectionist threats from its main market, the US, and the electronics industry, also critically dependent on American sales, has suffered as recession has slashed demand for its products.

Hong Kong's famous shipping industry is a pale shadow of its former self, as the problems of the world's shipping industry have led to bankruptcies and a dramatic reduction in fleets. But figures released this week by Hong Kong's Trade Development Council show that this tiny territory with just 6m people and no natural resources remains a formidable competitor.

It is the world's leading exporter, in absolute value terms, of such items as clothing, fur garments, toys, artificial flowers, lanterns and believe it or not, clocks. In volume terms, it leads the world as an exporter of watches, radio-receivers and clocks.

At a time when talk has been of the revival of Hong Kong's role as an entrepot for China, the figures provide a timely reminder of the importance of a manufacturing sector that makes Hong Kong the 15th largest exporter in the world.



Despite these problems, Hong Kong remains the world's leading exporter of clothing, a position it has held almost continuously since 1973. Exports in 1984 were worth HK\$46.7bn (\$4bn), compared with the equivalent of HK\$38bn by Italy, and HK\$35bn by South Korea. Exports of fur garments were worth HK\$2.3bn last year, compared with the equivalent of HK\$1.2bn from South Korea and HK\$1.2bn from Greece.

Country of origin legislation imposed unilaterally early this year brought an end to sub-assembly work in mainland China, and forced exporters of knitwear to invest heavily in high-technology Japanese knitting machinery.

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Toy exports were worth HK\$11.5bn, compared with HK\$9bn by Taiwan, HK\$4.7bn by Japan, and HK\$2.5bn by West Germany. As for candles, Hong Kong exported 9,400 tonnes last year, worth HK\$144m. West Germany exported 8,890 tonnes, earning the equivalent of HK\$117m, and the Netherlands came a distant third, earning HK\$63m from just over 7,000 tonnes of exports.

Hong Kong still lags behind Switzerland and Japan in terms of its earnings from the sale of watches, but far outstrips them

in terms of quantity. In 1984, Hong Kong exported more than 300m watches, compared with around 60m apiece for both Japan and Switzerland. Earnings amounted to HK\$6.6bn, compared with an equivalent of HK\$8.2bn for Japan and HK\$11.7bn for Switzerland.

In 1984, The British Territory exported 59m radio receivers, compared with 49m by Japan, and 26m by Taiwan. Earnings amounted to HK\$4.7bn compared with Japan's HK\$2.2bn, and Taiwan's HK\$95m.

Since 1983, Hong Kong has been the world's leading exporter of clocks by volume. It sold 48m in 1984, compared with Japan's 19m and West Germany's 17.6m. Earnings amounted to HK\$950m, compared with the equivalent of HK\$1.3bn for Japan, and HK\$1bn for West Germany.

It is often noted that China is keen to recover a stable and prosperous Hong Kong in 1997 because of its importance as a financial centre, earning foreign exchange for the mainland. It is clear that the territory's manufacturing sector is a critical factor too—even if it does at present seem to be beset by problems.

China issued its first patents since the Communist takeover in 1949 and promised to observe Patent Law, Renter reports from Peking.

Pakistan awards pulp paper plant order

By Mohammed Afshar in Islamabad

KLOCKNER Stadler Hurter of Canada is to supply a \$168m (£115m) pulp paper plant to Pakistan. A formal agreement is expected to be signed in March.

The plant will be established at Kamali, 250 miles south east of Islamabad by the Government Development Board. Part of the plant, which will produce 66,000 tonnes of paper annually, is to be manufactured in Pakistan.

Mr Joe Clark, the Canadian External Affairs Minister, on a visit to Islamabad, this week signed eight agreements providing Canadian soft loans totalling \$155m with Mr Mahbubul Haq, Pakistan's Finance Minister.

The loans will be used to develop water resources, expand social services and provide basic facilities in villages.

Indonesian aircraft

The US and Indonesia have signed a memorandum of understanding for the purchase by the US of Indonesian-made small aircraft for use in its Pacific territory of Guam. Agencies report from Jakarta. The aircraft is the 15-seater CN-212, which is produced in Indonesia by P. T. Nurtanio under licence from Spain's Construcciones Aeronauticas SA (CASA).

China ship order

United Shipbuilding of Shanghai has received orders for two carriers of 9,600 dwt each from the Christian F. Ahrenkiel company of West Germany, Renter reports from Hong Kong.

Total cost is estimated at \$62m (\$42m). It is understood that 50 per cent of the cost will be paid in cash and the balance is guaranteed by a group of West German banks.

Quebec computer

Mors SA, a French electronics group, said its Canadian subsidiary Mors Technologies has won a C\$21.5m contract to provide a computerised information system for Quebec's electricity network, Renter reports from Paris. The contract, from Hydro-Quebec, includes 16 computerised centres for information gathering, processing and transmission to be installed within 30 months.

UK clothes exports surge 24%

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

BRITAIN'S clothing and textile exports continued to break export records in the third quarter of 1985. Overseas sales of clothes were 24 per cent higher by value than in the same quarter of 1984 and textiles were 18 per cent up. Imports of both categories rose 8 per cent.

However, the months of July, August and September 1984 were affected by a docks strike making this year's export performance turn out better than might otherwise have been the case.

Over the first nine months of the year, a more meaningful comparison, exports of textiles and clothes rose 18 per cent, against a 10 per cent rise in imports, leaving a trade imbalance of £1.65bn, against £1.84bn a year earlier.

Mr Ian MacArthur, director of the British Textile Confederation, said yesterday that "the

export picture is encouraging," but he warned that imports were close to, or even in some cases, above the record levels of 1984.

Import pressure is inevitably going to increase, particularly with the changes in exchange rates that have taken place this year," he said.

The industry is particularly concerned at currency movements and fears it will give a big competitive advantage to low-cost Far Eastern producers.

So far this year sterling has risen 28 per cent against the Hong Kong dollar, 31 per cent against the Taiwanese dollar and 37 per cent against the South Korean won.

The US is moving increasingly towards a more restrictive import policy and British industry fears there will be a diversion of goods from the low-cost Asian producers to Europe.

There could be "a devastating surge" of goods into Europe, according to Mr MacArthur.

The industry is also worried about the continued refusal of Turkey to agree to voluntary restraints on their exports. It accuses Turkey of distorting trade by subsidising investment, providing money for loss-making companies, paying export subsidies and dumping Turkish goods abroad.

Figures from the BTC show that imports into Britain of goods covered by the Multifibre Arrangement (MFA), the world accord that regulates much of international trade in clothing and textiles, rose 4 per cent by volume in the first nine months of this year.

The most substantial part of the rise came from Europe and the US.

Textile and Clothing Imports: First 9 months 1985. Report of the Import Surveillance Working Party, December 1985. BTC, 24, Buckingham Gate, SW1, 225.

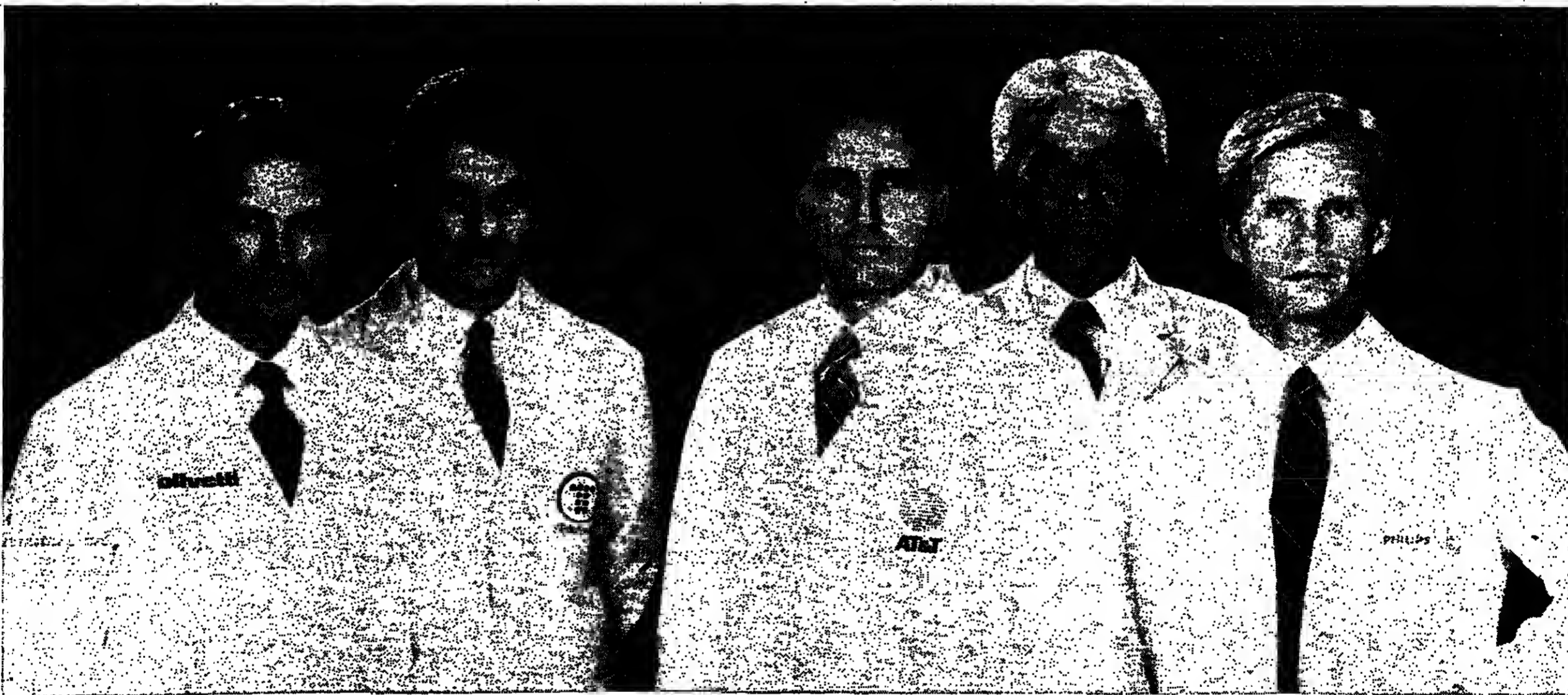
US imports of steel fall 7.8% in 11 months

U.S. IMPORTS of steel declined 7.8 per cent over the first 11 months of 1985 and 23 per cent in November from year-earlier periods, AP reports from Pittsburgh.

Imports for 11 months of 1985 were 22m tons, amounting to over 25 per cent of the US market.

This is several percentage points, and several million tons above President Ronald Reagan's goal of limiting steel imports to 20.2 per cent of the US market," said Mr Donald Trautlein, chairman of the American Iron and Steel Institute.

Another group, the American Institute for Imported Steel of New York, credited trade quotas negotiated by the Reagan Administration for reducing the average monthly imports from 2.2m tons to 1.5m tons from the first to fourth quarters.



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EUROPE BY
THE COMPANY
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The American Telephone and Telegraph Company (AT&T) are proud to be partners with some of Europe's most distinguished corporations, and to pursue with these leading firms new ways to bring the benefits of the information age to telecommunications customers throughout Europe.

AT&T's European partnerships include:

- AT&T and Philips Telecommunications, a joint company with NV Philips for the manufacture and marketing of network and transmission systems built to meet European standards, including the world-class 5ESS-PRX digital switch.
- A 25% equity participation in Ing. Olivetti. Company for development and marketing of office automation products and a joint partnership with Olivetti for licensing and marketing LINX™ System V operating systems.

- AT&T Microelectronica Espana, a joint company established by AT&T and Telefonica, the Spanish telephone administration, to produce custom integrated circuits for the European market.
- AT&T also have facilities in Europe. AT&T Microelectronics design electronic components in the Federal Republic of Germany, and AT&T Ireland manufacture transmission systems and components in the Republic of Ireland.

AT&T bring to these partnerships a rich heritage of technological innovation and excellence. Since the inception of telephony in the 19th century, technological innovations pioneered by AT&T Bell Laboratories have included the transistor, solar cells, communications satellites, microprocessors and the first manufacturable Megabit Dynamic Random Access Memory chip.

For their efforts at the frontiers of research, seven AT&T scientists and engineers have been awarded the Nobel Prize.

Call on AT&T, leaders in information management and movement, at our London European Regional Office or at any other of our 23 offices located around the world. Together we can make the future happen sooner.

AT&T International (UK) Ltd., Norfolk House, 31 St. James Square, London SW1Y 4JR, England, United Kingdom. Telephone: 1-930-0691. Telex: 24660 ATTUKG.



UK NEWS

Bomb deaths mark start of IRA's new year offensive

BY OUR BELFAST CORRESPONDENT THE KILLING of two policemen at Armagh, Northern Ireland, only a minute into the new year was timed to show that the Irish Republican Army (IRA) would strike with increasing effectiveness this year, an official of the organisation said yesterday.

New GM model for British market

GENERAL MOTORS (GM) yesterday announced a new model for Britain, the Belmont, which the Vauxhall-Opel group expects to boost its share of the UK car market from 17 per cent to 18 per cent this year, Kenneth Gooding writes.

John Hunt reads Cabinet papers of 30 years ago Determined effort to suppress Burgess and Maclean affair

THE WAY in which the Conservative Government of 1955 managed to suppress the facts over the scandal of Guy Burgess and Donald Maclean, the British diplomats who defected to the Soviet Union, is disclosed in the Cabinet papers for that year.

Ethnic minorities suffer highest rate of unemployment

BY PHILIP BASSETT, LABOUR CORRESPONDENT UNEMPLOYMENT AMONG ethnic minorities in the UK is markedly higher than among whites - with unemployment among Pakistanis and Bangladeshis three times that of whites, according to Government figures published yesterday.

BASE LENDING RATES table with columns for bank names and interest rates.

Suez raised world war fear

IN OCTOBER 1955, a year before the Suez conflict, Sir Anthony Eden warned the Cabinet that hostilities might break out in the Middle East.

Strike activity lessens

BY OUR INDUSTRIAL CORRESPONDENT BRITAIN is likely to lose well under 6.5m days through strikes in 1985, removed of the impact of the miners' strike, days lost through stoppages are likely to be under 2.5m.

Petroleum Exploration Opportunities GUYANA The Ministry of Energy and Mines, Government of Guyana will host seminars in London, February 11th and Houston, February 18th 1986 to attract applications...

First electronic step in gilts market

BY DAVID LASCELLES, BANKING CORRESPONDENT THE BANK OF ENGLAND takes an important step in its preparations for the so-called big bang in the City of London today with the launch of the first phase of its computer system for the market in government securities (gilts).

Murdoch rejects jobs for life

BY OUR LABOUR STAFF MR RUPERT MURDOCH'S News International, which has announced it is to begin operations at its new newspaper printing plant in east London without union agreement, has rejected union claims for a guarantee of lifetime employment for union members at both the company's new and old printing sites.

BfG:London Bank für Gemeinwirtschaft Aktiengesellschaft London Branch Please note that as from 16th December 1985 we have changed our address and telephone numbers: 33 Lombard Street London EC3V 9BS

A profile of the typical reader of THE BANKER

The typical reader of THE BANKER is a Senior Vice-President working for a commercial bank or insurance company, he is only 42 years old, he is well educated and has a high income.

UK ECONOMIC INDICATORS

UK ECONOMIC INDICATORS table with multiple columns for various economic indicators like production, output, and trade.

A significant event in banking history.

1+1=1.

A strange piece of arithmetic for an international bank, to be sure.

But one which nevertheless reflects what happened on 1 January 1986.

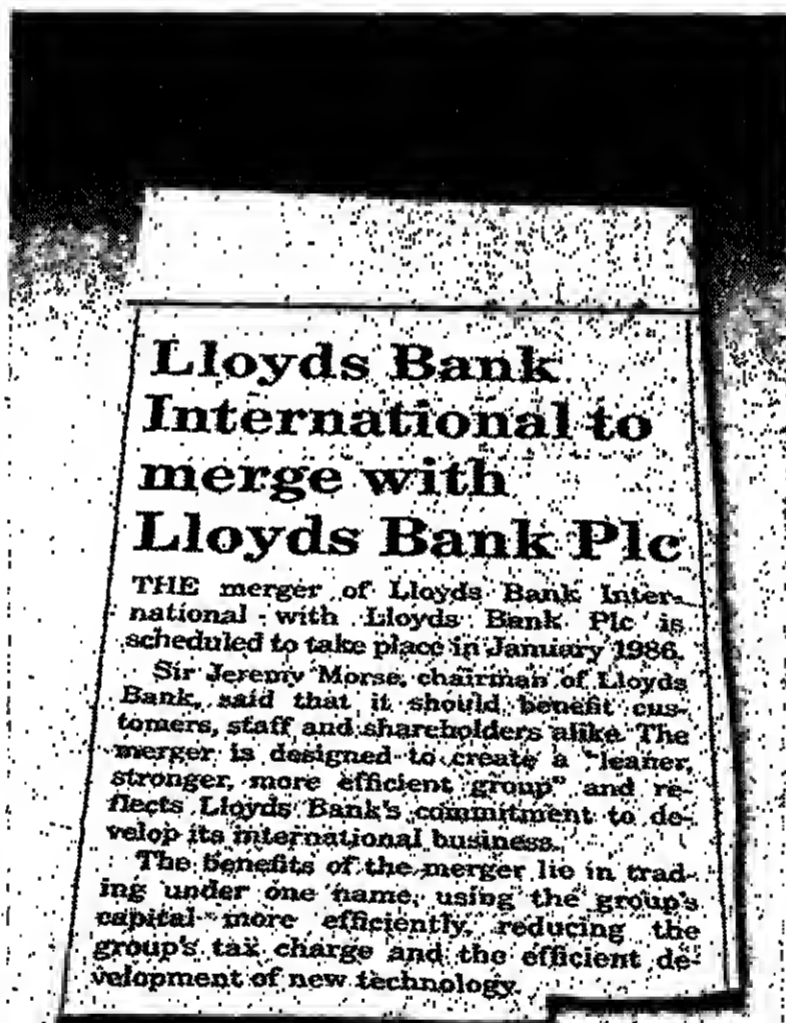
For it was then that the legal formalities for the merger of Lloyds Bank International Limited and Lloyds Bank Plc were completed.

In doing so, we strengthen our position as a major force in the international banking arena.

Some customers around the world will already be aware of the way we have reorganised into five specialist business units.

Corporate Banking, UK Retail Banking, Treasury, International Banking. And of course Merchant Banking.

For many, there will be



no immediate difference in the way in which they deal with this unified structure.

Yet behind the scenes, the new arithmetic is rapidly adding up.

On the financial front, we will be able to make more efficient use of our capital.

Whilst the advantages of a single pool of liquidity

will benefit our customers just as much as ourselves.

Our funding and tax affairs management will be similarly improved.

And the advantages of operating from a single balance sheet are well recognised in financial circles.

Operationally, greater efficiency will result from an integrated approach to the management of technological change.

This will pave the way for us to provide an even better quality service to our diverse range of customers.

As we move forward into an even more competitive age, Lloyds Bank is setting out to become a leaner and even better managed international bank.



A THOROUGHbred AMONGST BANKS.

TECHNOLOGY

Beware the gap that may be too wide to bridge

SOME 35,000 years ago, Neanderthal man, more ape than human, coexisted on Earth with Homo sapiens, modern intelligent man.

30,000 years ago, a mere 5,000 years later, Homo sapiens had inherited the Earth. The archaeological record shows that the disappearance of Neanderthal man and the emergence and dominance of Homo sapiens was coincident with a dramatic change in the technology of the day.

New materials like bone and ivory came into use. Throwing spears and the bow and arrow became common. New manufacturing technologies like drilling and grinding were adopted.

These new technologies resulted from innovation and adaptation by modern man. Neanderthal man neither innovated technologically nor adapted the new technologies for his own purposes.

The lesson for industrial societies at a time of great technological change is clear. Certain key technologies can exert leverage on the fabric of industry and society which is out of all proportion to their intrinsic value or to the resources necessary to develop them.

Companies and nations ignore these key, catalytic technologies at their peril.

George Champlain of the US computer company Sperry argues that any time a characteristic in technology changes by a factor of ten, it causes a revolution in life style.

In transportation, a horse walked at five miles an hour, an

The products of a particular process are returned to its starting point to make it go faster

automobile moved at 50 miles an hour (in 1885) and a commercial jet aeroplane moved at 500 miles an hour (starting in 1960). Thus, there were two life-style revolutions spaced 65 years apart.

In computers, however, there have been two revolutions in less than 20 years. The first brought a factor of 1000 per cent improvement, the second another factor of 100 per cent improvement before the first could be observed.

It can be shown that improvements are occurring in cost/performance in commercial data processing at a rate of a factor of ten every decade. Contrary to expectations, there is no sign

Alan Cane warns of the dangers facing those who fail to keep up with change



that the rate of advance will slow as physical limits are reached.

These improvements in information engineering have come about, as is well known, as the result of massive jumps in microelectronics. Developments in microelectronics have stimulated dramatic growth in the computing technologies and these have fed back into biology, into materials science, into chemistry and telecommunications.

What in fact has been set up is a positive feedback loop, a phenomenon well understood in science, where the products of a particular process — a chemical reaction, say, or the amplification of an electronic signal — are returned or fed back to the starting point of the reaction in a way which makes it go faster and faster.

This is what seems to be happening today in modern technology, the result is an explosion of activity which is accelerating all the time and which is already out of control.

So there is substantial enlightened self-interest in the kinds of international co-operation we are seeing today as companies and countries pool their efforts to make progress in the fundamental technologies.

The acceleration in the rate of technological development seems inexorable to judge from progress in the semiconductor industry.

1985 was the date at which small scale integration of com-

ponents became possible — these contained the equivalent of about 10 data processing logic elements per silicon chip.

Medium scale integration, involving some 30 or 40 logic elements on a chip, became possible in 1970 and large scale integration with 100 elements per chip became commercially available in 1975.

Very large scale integrated chips (VLSI), today's technology were commercially available around 1980 and now contains 1,000 or more logic elements.

Already major semiconductor manufacturers are using beams of electrons to trace the intricate patterns necessary on the surface of the silicon, making

them more accurate than ever before.

Large scale and complex computer systems operating in real time—the kind of systems needed for air traffic control, for

example, are notoriously difficult and expensive.

As Christopher Williams of Advanced System Architectures (ASA) points out: "All too often, development schedules over-run, cost estimates escalate, performance does not meet specification and newly delivered systems frequently contain far too many software errors and frequently crash."

James Martin, a former IBM executive who attracts enthusiastic audiences for his data processing seminar, has put his knowledge and experience into a programming methodology he calls the Information Engineering Workbench. He claims: "A sweeping revolution has begun in the methodologies of putting computers to work. This revolution depends on power tools. The methodologies of the past used pencils and plastic templates; the methodologies of the future use design automation

techniques linked to a knowledge base."

"Knowledge base" implies the use of artificial intelligence techniques.

For the first time, these techniques are being used to help generate software. It is clearly too early to say, but it looks as if developments like the Martin Workbench and ASA's "Sophio" approach herald the approach of the software miracle.

Companies with access to these superior programming techniques will be able to seize the advantage over their less aware contemporaries in exactly the same way that companies which latched onto the microprocessor quickly were able to sharpen their competitive edge.

The positive feedback generated by these developments in computing will be seen in other areas.

Biotechnology is the other key technology today. It is a very old technology as brewing and baking, both involving yeasts were known as long ago as 7000 BC and 4000 BC (in that order) but it has been given a massive, catalytic boost by developments in genetic engineering.

Three techniques are of most interest: recombinant DNA, monoclonal antibody production and cell fusion.

There are two profound implications in these techniques.

First, they will make possible the production of certain drugs and chemicals economically in quantities which could otherwise only be manufactured with great difficulty and at great expense.

Second, they will make pos-

sible the manufacture of drugs which have never been seen before.

Here there is a powerful synergy with computer development. Scientists are gradually beginning to understand the way in which the shape of a

particular molecule enables it to perform its function.

The result could be—and this may be some years off—the development of drugs with peculiarly powerful properties.

The rate at which technology is advancing is already opening a gap between the "haves" and the "have-nots" which is probably unprecedented in human history. But it is nothing to the division which will occur once the positive feedback loop of hugely powerful computers, probably correct software and safe drugs to alter mental ability come into play.

Cost, and the fortunate reluctance of the human race to move too far, too fast may prove to be effective brakes; but everybody should be considering whether to be a technology leader or follower. The gap between the two may soon be too wide to bridge.

Alan Cane, who has edited the Technology page since 1981, has relinquished the post to concentrate on reporting more broadly the influence of technology on business.



Chip making at National Semiconductors' laboratory in California

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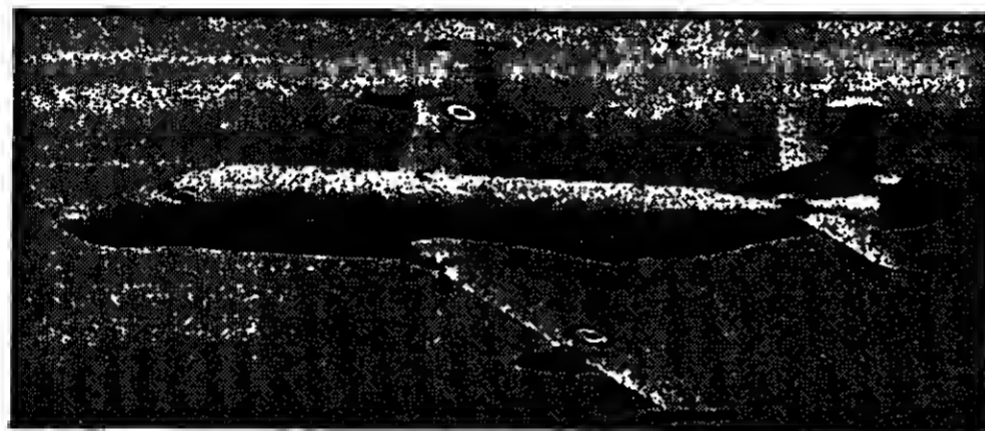
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Nimrod advanced early warning system for the RAF—prime example of problems in software

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Scanner to end jams in canning

A SYSTEM that will visually inspect cans on food production lines to prevent jams and rejects has been developed by Filler Protection Department of Royston, Herts.

Can-Scan can perform at 2,500 cans/minutes. It makes use of a TV camera and a computer which can analyse the raster images produced and compare them with the correct data.

Cans with as little as 10 per cent ovality can be detected and various degrees of damage to the top flange can be picked up—the user can make sensitivity adjustments to suit the circumstances. Information can be passed to a mainframe computer for a management information system. The machine can be mounted over most types of flat bed, single file conveyors.

The Can-Scan idea emerged from a request by a large food maker to cut time lost by deformed tins jamming the filling and closing machines and to sort out "slow leaker" and "letterbox" cans (those with the lids not completely sealed).

More on 0763 49349.

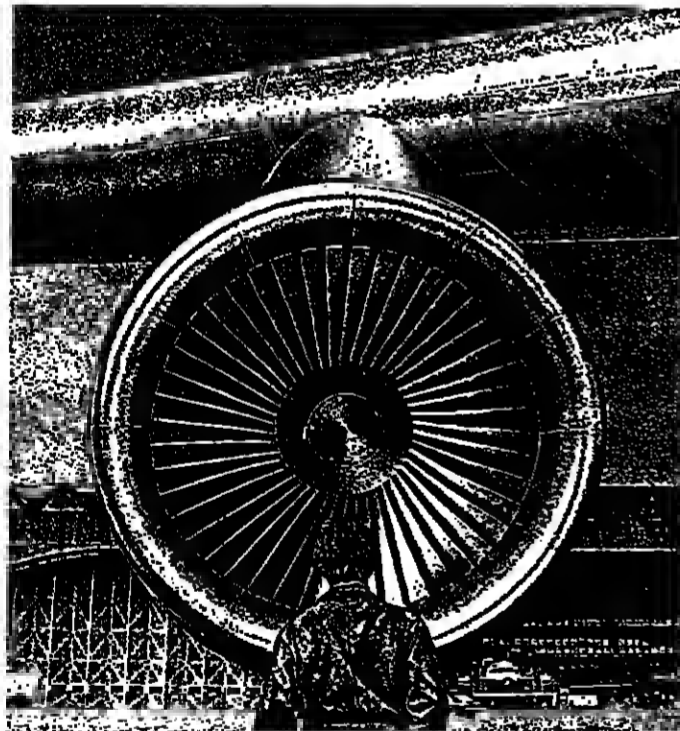
Robots to find fuel tank leaks

VOLKSWAGEN is turning to robots and an automatic leak testing machine to detect fuel tank manufacturing faults.

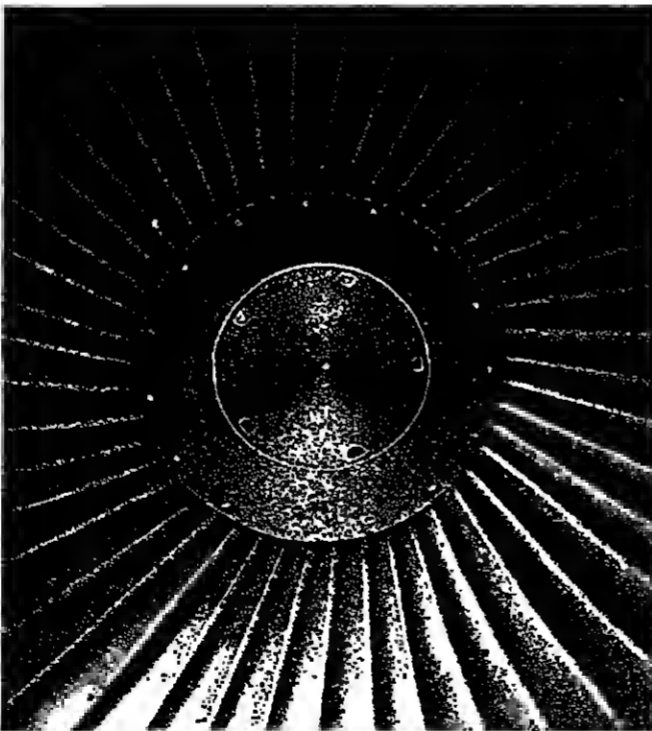
The German car company tests the tanks by channeling them into a test chamber under pressure. A robot loads each tank into a special chamber, at which point the receptacle is closed and the gas pumped in.

A spectrometer outside detects any escaping gas. The system replaces the conventional technique in which leaks in tanks are detected by bubbles appearing in soapy water. It was built for the car company by Edwards Kniese, a pump specialist.

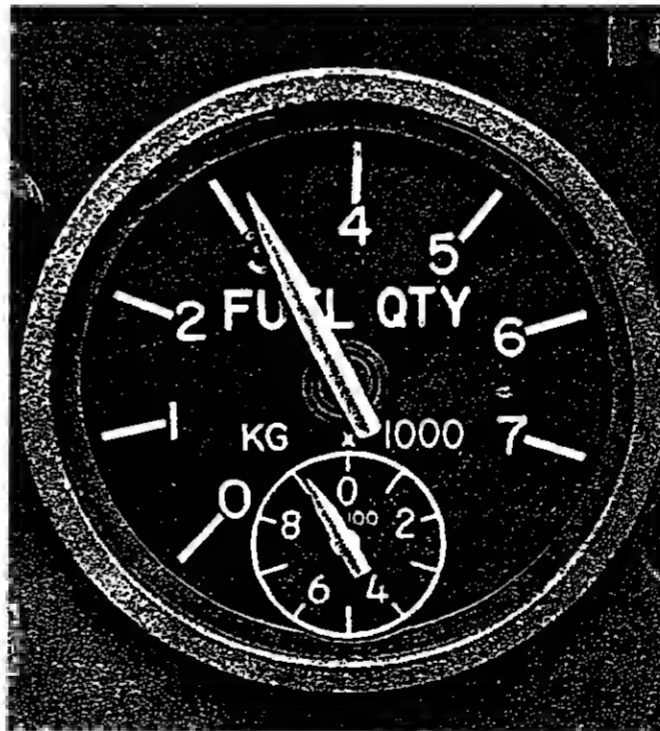
The bearing company that takes you to extremes.



The high technology...



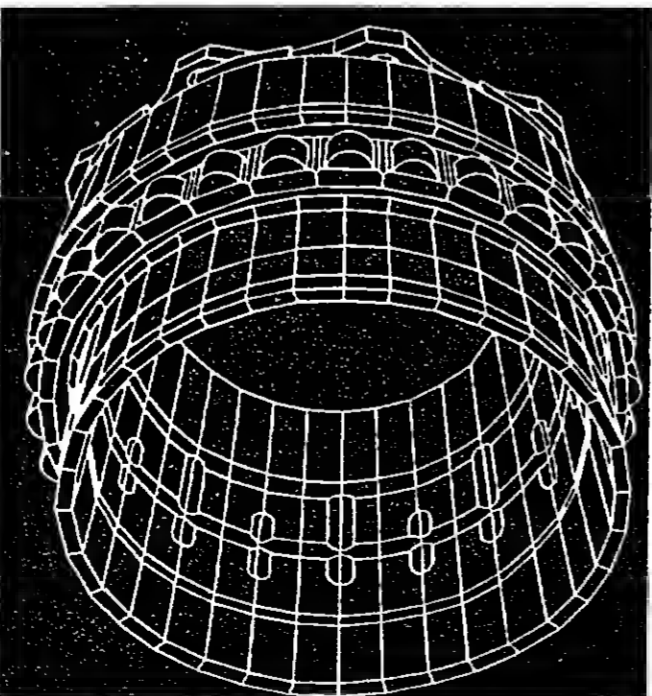
of jetliner engines today...



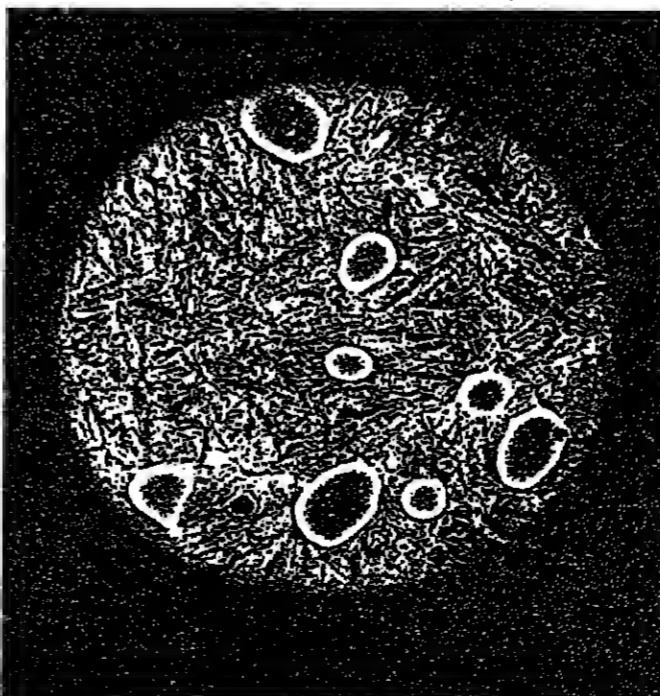
achieving ever higher speeds on less fuel...



requires truly safety-critical bearings...



that demand state-of-the-art computerised design...



and precision measured to 1/10,000 mm.

While you relax during your next jetliner trip, spare a thought for the stress that the engines have to endure. For take-off, rotational speed can be 800 revs/second.

Just as higher and higher velocities are constantly being reached, environmental factors are stipulating lower fuel consumption and noise levels. The last decade has seen a 50% rise in rotational speed—with drops in fuel usage of the same order. And the quest continues.

One of the most safety-critical components in aero engines is the bearing. Demanding utter dependability to withstand the conditions, its task is further complicated by direct contact with hostile combustion fumes. And at temperatures of some 500°C, it's simply too hot for lubrication of any type. Till recently this proved a near impossible set of constraints. But our R&D people overcame them.

As world demand poses ever tougher problems in the aerospace industry, SKF provides ever more accomplished solutions. Lighter, smaller bearings that rotate faster with less friction; that give lower noise levels, and work in higher temperatures. In every way, SKF is taking bearing technology to new extremes of achievement.

Down to the micro world of the bearing

Our search for new answers takes us deep into the micro-universe of the bearing—where micro changes of a tenth of a thousandth of a millimetre can yield energy savings of up to 80%.

For this, elevated levels of metal working precision are required—and 'near-absolute' accuracy maintained from steel purity through computerised design to application.

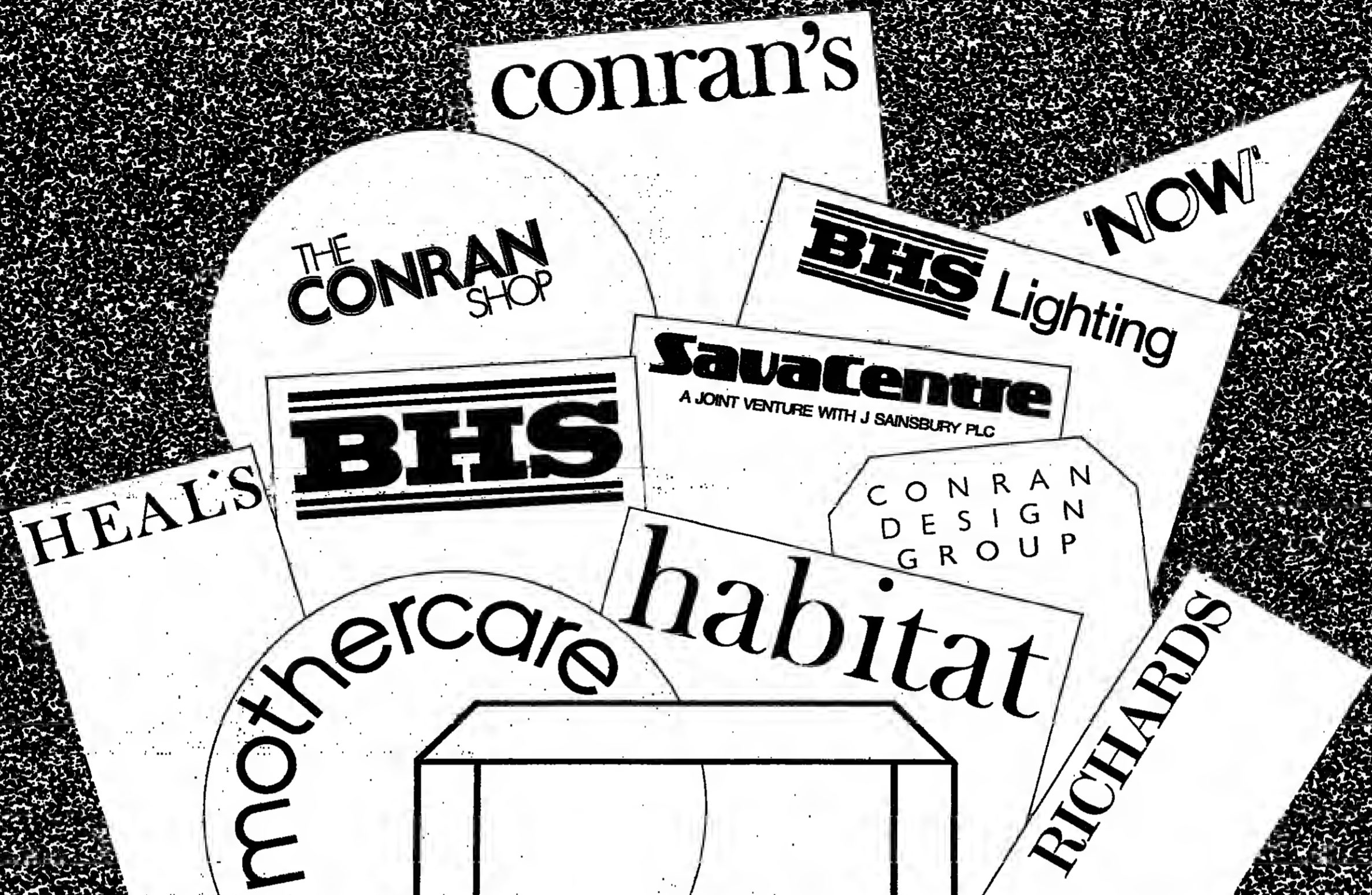
Now, by harmonising new theory with the reality of new technologies we have shown how bearing life—and reliability—can be prolonged indefinitely.

75 years of close customer co-operation has given us the expertise to create a virtually unrestricted programme of ball, cylindrical, taper and spherical roller bearing types in some 25,000 variants. From miniatures weighing three hundredths of a gramme to giants weighing 500 million times more. Assuring our worldwide customers of the exact bearing solution to every application. And ultimate reliability.

Like a jetliner, we will always rise to the occasion.

SKF. The exact bearing.

SKF



URGENT

**PLEASE RETURN YOUR ACCEPTANCE FORM
FOR
THE MERGER OF
BRITISH HOME STORES PLC AND HABITAT MOTHERCARE PLC**

NO LATER THAN 3.00PM 6TH JANUARY 1986

We would also like to wish our shareholders and customers a very happy and prosperous New Year and invite you to join us in celebrating the creation of Britain's most exciting new retailing group.

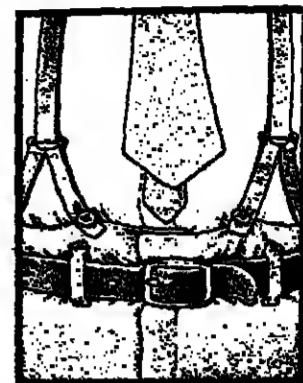
STOREHOUSE^{plc}

SEND YOUR ACCEPTANCE BY 3.00PM 6TH JANUARY 1986 TO BARCLAYS BANK PLC, NEW ISSUES DEPARTMENT, PO. BOX 123, FLEETWAY HOUSE, 25 FARRINGDON STREET, LONDON EC4A 4HD

This advertisement has been published by Kierwatt, Benson Limited and Morgan Grenfell & Co. Ltd. as a joint venture on behalf of Storehouse PLC. The publication of this advertisement has been approved by a duly authorized committee of the Board of Storehouse PLC. The Directors of Storehouse PLC are the persons responsible for the information contained in this advertisement and to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of Storehouse PLC accept responsibility accordingly.

FORECASTS 1986

Sprinter on a treadmill



INSURANCE By William Hall in New York

"LIKE a sprinter on a treadmill, the property/casualty industry is producing new premiums faster and faster but is gaining not at all on profitability."

Although the recovery in the US property and casualty insurance business has been under way for more than a year now, it is taking a long time for the industry's temperature to drop.

According to Dr Sean Mooney, research chief of the Insurance Information Institute, written premiums rose by 21 per cent in 1985, more than twice as fast as in 1984.

The current signs of recovery in the industry have not come as much as hoped for some of the most famous names such as Aetna, Commercial Union, INA, Fireman's Fund and Forster.

Prices first began to tighten in the reinsurance markets at the end of 1983 and began to flow through into the primary markets in the third and fourth quarters of 1984.

There are reports that facultative reinsurance rates have risen between 80 and 500 per cent since the cycle turned.

All this should be good news for the insurance companies. But in many cases the heavy losses of 1983 and 1984 have shrunk their capital bases so that they cannot take full advantage of the higher rates.

APPOINTMENTS

British Aerospace divisional chief

Mr Peter Brighton has been appointed managing director, BRITISH AEROSPACE electronic systems and equipment division.

Mr Peter Brighton. C. E. Heath & Co. (Insurance Broking) - Mr G. M. Adair, Mr A. R. Barden, Mr A. E. Fell and Mr J. R. Hoelder have joined the board.

Appointments

HOME FROM ABROAD?

You might have missed our Open Day, but you can still greet the New Year with new status

As you will be aware from your own experience, there are many British and other expatriates worldwide who would welcome informed advice on how best to invest and maximise their assets.

Your potential role in them - we invite you to forward your curriculum vitae to us at your earliest convenience.



If you were unable to join us then but would like to know more about our international plans for the New Year - and

EXECUTIVE JOB SEARCH

Are you earning over £20K and seeking a new job? The Connaught Services have helped more executives to find new appointments than any other organisation - mainly in the unadvertised vacancy area.

LAWYER GRAND TURK

Young Solicitor or Barrister, some experience, to join independent Trust Company of international standing.

Finance Manager New Zealand

This is a top finance position with Donaghy's Industries Limited, a New Zealand listed public company, rapidly expanding in manufacture and export in a growth industry.

It is a challenging career opportunity in a country offering an excellent lifestyle with a high standard of housing, education and outdoor activities.

The Position: A key role in a dynamic management team, responsible to the General Manager for the complete finance and accounting function.

Candidates: Must be qualified accountants with a strong commercial orientation and proven performance in a manufacturing environment.

Rewards: The package to be offered is competitive, and will include a company car.

Location: Hastings - an attractive city on the sunny East coast of North Island. Relocation expenses will be met.

Timing: UK shortlist interviews are scheduled for late January and an early decision will be made.

Confidential Reply Service: Please write with full CV quoting reference 1995/MB on your envelope, listing separately any companies to whom you do not wish your details to be sent.

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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for, or to purchase, any securities.

Unilever PLC

(Incorporated in England with registered number 41424)

Issue of £4,883,477 8 per cent. Unsecured Loan Stock 1991/2006 £7,060,000 8 per cent. Unsecured Loan Stock 1991/2006 £1,500,000 5 per cent. Unsecured Loan Stock 1991/2006

of Unilever PLC respectively in exchange for the outstanding amounts of 7 per cent. Unsecured Loan Stock 2003/08 7 per cent. Unsecured Loan Stock 2003/08 5 per cent. Unsecured Loan Stock 2003/08 of Brooke Bond Group plc

The Council of The Stock Exchange has admitted to the Official List each of the new Stocks of Unilever PLC referred to above.

Listing particulars relating to Unilever PLC and containing particulars of the new Stocks have been prepared as required by The Stock Exchange (Listing) Regulations 1984.

Unilever PLC, Port Sunlight, Wirral, Merseyside L62 4ZA.

W. Greenwell & Co., Bow Bells House, Broad Street, London EC4M 9EL.

and until 4th January 1986 for collection only, from:-

The Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2P 2BT.

2nd January 1986

GOLD FIELDS GROUP

VLAKPONTEN GOLD MINING COMPANY LIMITED (Incorporated in the Republic of South Africa)

REPAYMENT OF CAPITAL - UNITED KINGDOM CURRENCY EQUIVALENT In accordance with the conditions relating to the repayment of capital No. 4, payments made from the office of the United Kingdom Secretary for the Company in London...

The United Kingdom currency equivalent of repayment of capital No. 5 of 15 cents per share is therefore £0.0750 per share.

CHEMICAL NEW YORK CORP.

US\$300,000,000 FLOATING RATE SENIOR NOTES due 1989

In accordance with the provisions of the notes, notice is hereby given that the interest rate on the notes will be reset on January 15, 1986 to the rate then prevailing on the New York Stock Exchange...

Clubs: We have notified the clubs because of a policy of fair play and wish to inform you that the clubs are now open for business.

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This is a newly created role within a well established and highly efficient profit centre, part of a major UK group, but run very much on autonomous lines.

Reporting to the Financial Director, your brief as a member of the Senior Management team will be to make a positive contribution to the Company's future direction in response to changing world markets.

This is a highly responsible position calling for a man or woman ideally in the 30's to early 40's age group, with very strong practical accounting skills.

Austin Knight has been retained to handle initial applications. Please telephone Allan McGregor on (021) 455 6255 (office hours) or (052789) 3194 (evenings) or write to him quoting ref LSL135 at Austin Knight Selection, Tricorn House 51-53 Hagley Road, Edgbaston, Birmingham B16 8TP.



Company Secretary

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The ideal candidate, aged 40-50, will have a legal qualification, and several years' experience as a Company Secretary in a plc. With strong administrative skills, they must be able to communicate effectively with Senior Management.

Please write, giving full personal and career details, to T. Weatherby, Group Executive Chairman, Whitecroft plc, Water Lane, Wilmslow, Cheshire SK9 5EX.



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KITKAT & AITKEN

STORES/FOOD RETAILING ANALYST

Further expansion of our successful retailing team has created a vacancy for an additional Analyst. He or she should ideally have some experience in the sector but, more importantly, should be strongly motivated and a confident communicator, both orally and through written work.

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The continuing growth of our institutional business, helped by the expansion of our analysis of overseas sectors, has created the need for an additional sales executive to market the growing range of corporate securities.

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Appointment Wanted

GERMAN, 25, University educated, speaks French, fluent, UK in manufacturing, commercial, banking, car, insurance, sports, 1970-1975, 1976-1978, 1979-1980, 1981-1982, 1983-1984, 1985-1986, 1987-1988, 1989-1990, 1991-1992, 1993-1994, 1995-1996, 1997-1998, 1999-2000, 2001-2002, 2003-2004, 2005-2006, 2007-2008, 2009-2010, 2011-2012, 2013-2014, 2015-2016, 2017-2018, 2019-2020, 2021-2022, 2023-2024, 2025-2026, 2027-2028, 2029-2030, 2031-2032, 2033-2034, 2035-2036, 2037-2038, 2039-2040, 2041-2042, 2043-2044, 2045-2046, 2047-2048, 2049-2050, 2051-2052, 2053-2054, 2055-2056, 2057-2058, 2059-2060, 2061-2062, 2063-2064, 2065-2066, 2067-2068, 2069-2070, 2071-2072, 2073-2074, 2075-2076, 2077-2078, 2079-2080, 2081-2082, 2083-2084, 2085-2086, 2087-2088, 2089-2090, 2091-2092, 2093-2094, 2095-2096, 2097-2098, 2099-2100, 2101-2102, 2103-2104, 2105-2106, 2107-2108, 2109-2110, 2111-2112, 2113-2114, 2115-2116, 2117-2118, 2119-2120, 2121-2122, 2123-2124, 2125-2126, 2127-2128, 2129-2130, 2131-2132, 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THE MANAGEMENT PAGE: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

US baby boom

'The Yuppies are having puppies'

America's latest parents have a high spending power. Frank Lipsius reports on the great marketing potential

AMERICA is having another baby boom. The numbers may not be quite of the scale of the early 1980s, but the baby products manufacturers believe the marketing potential is equally, if not more, exciting.

Dallas and Bullocks in Los Angeles. A large number of give-away magazines pinpoint the dramatic change in lifestyle that follows the birth of a baby.

grandparents. Though manufacturers would like to address grandparents directly, the most efficient medium is through parents, as revealed in a Better Homes and Gardens readers' survey that showed that nearly half the grandparents relied on parents' recommendations and only 18 per cent listened to the child's own request.

Views

The magazines reflect prevailing views of contemporary child rearing, with an emphasis on breastfeeding, stimulating children, balancing career and motherhood and extensive paternal participation in the process.

Jeff Jablow, the president of baby clothes manufacturer Absorbta, notes "the revolutionary approach" to baby clothes that has occurred in the past two to three years.

From \$700m in 1979 to \$1.34bn in 1984. Toy and book companies feed parents' emphasis on child development that the right stimuli will produce clever offspring.

This Kid Means Business!



In the next week, American baby babies will spend their parents over to buy: 10.2 million jars of baby food, 21 million containers of ready-to-feed formula, and 2.2 million containers of concentrate.



Favourite seasonal ads

Feona McEwan asks agencies for their nominations

ASKING ad-people what ads they like is asking for trouble. Their criteria will always be, of course, creative excellence — outstanding concept, production, execution, copyline, art direction — together with a winning idea.

it plopping into a child's sand-pit. The work of Humphreys Bull and Barker (Saatchi's latest buy) Trott calls it "a brilliant ad," combining a novel idea which drives home the company's tough toys policy, with a very watchable execution.

directed by Derek Haas. At Lowe Howard-Spink, Alfredo Marcantonia admires the Economist press ad (written by David Abbott of Abbot Mead Vickers) so much that he had it photocopied and sent round all of his copywriters with the dictat: "Read and inwardly digest."

For sheer bravura and ingenuity, the poster for Honeywell computers, which features a three-eyed man and the line "Honeywell has 3 eyes checking for every 2 assembling," gets the vote of Chris Williams of Davis Wilkins, a newly-formed agency.

There is also a much-praised television commercial, shot in classic old Warner Brothers/Walt Disney animation which shows a flying partridge, complete with World War I helmet and goggles, in a Bing Crosby voice. The bird is shot at and starts to fall whereupon it pulls out a beer can and up goes the partridge marked H, leaving it to fall gently into... a pear tree.

Greg Delaney of Delaney Fletcher Delaney commends the Shell press ads, especially the one explaining an insecticide that scares bees and which puns on the headline "to be or not to be" (only instead of the verb, an actual insect is put in the ellipsis). It is beautifully written by Howard Fletcher and art

A potential ally

From Mr D. Howell, MP. Sir—What a perceptive note Malcolm Rutherford (December 23) chooses on which to finish 1985. Of course western Europe and Japan should be getting together.

Letters to the Editor

Britain seems to grasp this point. In subsequently complaining about the "cost" of various social security benefits in terms of pure Treasury accountancy, however, he falls into serious self-contradiction. The example of child benefit makes this clear. Child benefit, like child tax allowances before it, is a way of recognising that people with children have a lower taxable capacity (that is, are worse off) than childless people with similar incomes.

Maintaining capability

From Mr J. Franklin. Sir—The debate about Westland and which of the solutions offered is the more appropriate has, I believe, shrouded the fundamental question which is whether we can still as a country preserve the capability to produce a complete aircraft with all that this means for British technology and employment.

Tax-benefit systems

From the General Secretary, General, Municipal, Boilermakers and Allied Trades Union. Sir—Samuel Brittan (A long way from true selectivity, December 19) makes unjustified claims for integrated tax-benefit systems while failing to grasp their only real advantage. It is simply not true that netting off payments and receipts would produce greater simplicity.

Family credit

From the Deputy Director, Child Poverty Action Group. Sir—Samuel Brittan (December 19) describes the new means-tested family credit as "by far the most important" measure to improve the social security system put forward in the Government's recent white paper. Yet as he is forced to point out himself, it suffers from fatal flaws. High marginal tax rates will be extended to at least twice as many working families as are trapped in poverty present and even on the Government's unrealistically optimistic assumption about take-up rates, two out of every five families with incomes low enough to qualify for family credit will not claim it.

Inequalities of life

From Mr J. Stephenson. Sir—The article "The expense account world of the £40 meal..." (December 21), appeared the day before a reader's letter in another newspaper pointing out the wide difference in salary between ward sisters (in Great Ormond Street Hospital for Children) and the striking electricians in the ITV dispute. The salary range given was £7,000-£9,000 for the sisters, and £22,000-£30,000 for the electricians.

We announce the opening of a Branch Office in Geneva. New Japan Securities (Switzerland) Co., Ltd., Geneva Branch. 1, Rue Gevray, 1201 Geneva, Switzerland. Telephone: 22-32-4010 Telex: 27684. General Manager: Junichi Shimizu.

FINANCIAL TIMES BOOKLETS. All change at Charing X. Today's hospitals are about symptoms and illness. We want to change all that. Charing X Medical Research Centre is about causes and health. Because the best of cures is many times worse than not being ill in the first place. Agreed? Then please support us!

FORECASTS 1986

A dull year—but welcome all the same

THE FORECASTING consensus (which some joined rather later than others) is that the economy will grow by 2 1/2 per cent or more in 1986...



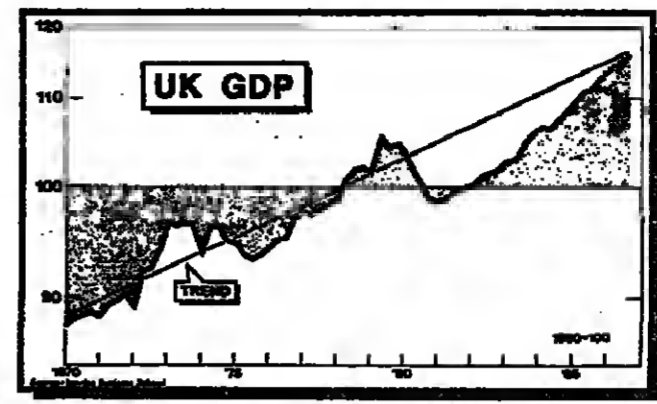
THE BRITISH ECONOMY By Alan Budd

seem to have settled fairly close to their previous level and there seems no cause to change the short-term forecasts for output and inflation significantly.

This will be the year of the consumer, with spending forecast to rise by more than 4 per cent

Investment was encouraged by high liquidity and the phasing out of capital allowances. Exports were boosted by the ending of the miners' strike...

The Treasury is rather more optimistic than the LES about investment this year. In the Autumn Statement it argued that the recovery in profits, the buoyancy of the stock market and the generally healthy state of company liquidity pointed to a further rise in business investment...



ECONOMIC PROSPECTS FOR 1986

Table with 4 columns: 1985, 1986, ON \$26 per barrel, ON \$20 per barrel. Rows include Gross Domestic Product, Consumers' expenditure, Retail price inflation, and Unemployment.

seemed unimaginable six years ago. The Government's view is that the main cause is the level of real wages, but that is a diagnosis rather than a cure.

also assume that the Government foregoes any tax cuts in the next Budget because of the lost oil revenue.

Why Gramm-Rudman will force a budget compromise

AS THE US recovery completes its third year, there are signs that the expansion will continue with only modest inflation for the next another year.



THE US ECONOMY By Martin Feldstein

Although three years has been the average length of post-war US business cycle expansions, the current upturn shows none of the traditional signs that a new recession is about to begin.

the risks. The most likely outcome for the year ahead will be continued economic expansion with only a modest increase in inflation.

matic cuts so unpalatable that the President and Congress will want to reach a compromise that averts the automatic cuts.

Consider what this would mean for the 1987 budget. If no agreement is reached before next autumn, the automatic sequestering will reduce defence outlays by about \$25bn and non-defence outlays by an equal amount.

The Treasury has had a good track record in forecasting inflation. Its forecast that retail price inflation will fall to 3 1/2 per cent by the end of the year seems fairly safe, particularly if oil prices are held at about their current level.

While it will be a good year for the growth of output and for inflation, it is difficult to be optimistic about unemployment.

After real GNP growth of only about 2 1/2 per cent in 1985, the economy is now likely to speed up slightly to real growth in the 3 to 4 per cent range. Spending by both businesses and individuals will be stimulated by the sharp decline in interest rates during the past 12 months and the concurrent rise in the stock market.

Looking beyond 1986, the long-term health of the American economy depends on our ability to shrink the budget deficits that are now absorbing more than half of the net saving in the United States and that have caused the national debt to double since the beginning of the decade.

The favourable budget actions of the Congress last summer were more substantial than most observers appear to recognise. The congressional budget resolution calls for spending changes that, if fully enacted, will reduce the budget deficit by amounts that increase from \$35bn for the fiscal year ending in October 1986 to \$100bn (or 2 per cent of GNP) for the fiscal year ending in October 1988.

I believe that the Gramm-Rudman amendments will have a powerful and favourable effect on the path of future deficits. There are, of course, many sceptics who think that Gramm-Rudman is just another evasion of responsibility and that it is constructed in a way that cannot possibly work.

Gramm-Rudman will succeed not as a mechanical way of cutting specific spending programmes but because it will force the political actors to make a compromise that can significantly reduce future budget deficits. Gramm-Rudman will force a budget compromise that would not otherwise be reached because the alternative to compromise is so unpalatable to both the President and the Congressional liberals.

The legislation provides that when the 1987 fiscal year begins next October, the projected budget deficit must be down to \$144bn or about 3.5 per cent of GNP. Budget experts now estimate that reaching that deficit level will require cutting the 1987 deficit by \$50bn—subsequent year deficits must then decline in \$36bn steps until budget balance is reached in 1991.

Thus instead of the currently projected 3 per cent real increase in defence spending, real defence outlays would fall by 5 per cent. There is clearly no chance that President Reagan would allow such a drastic cut to occur.

The threat of such unattractive spending cuts will make the President and Congress work hard to find a compromise that will achieve the \$144bn deficit target without such drastic cuts in defence and non-defence programmes.

While it will be a good year for the growth of output and for inflation, it is difficult to be optimistic about unemployment. Even if the falls of recent months continue we shall still have 8m unemployed at the end of 1986, a level that would have

the unique feature of Gramm-Rudman is that it provides precisely for what will happen if Congress and the President are unable to agree to a budget with a deficit that is within the specified target.

All other indexed programmes (including civilian and military pensions) would have their cost-of-living adjustments reduced or eliminated. Outlays on health care programmes would be reduced by up to two per cent a year. Finally, a percentage across-the-board reduction would be made in all remaining defence outlays and a separate across-the-board percentage cut would be made in all non-defence outlays with the two percentages calculated to make the sequestering of defence outlays equal to half of the total sequestered funds.

The sceptics complain that so much of the budget is protected from the across-the-board cuts that it is impossible to achieve budget balance by the prescribed mechanism. They correctly point out that only about 30 per cent of the total budget is subject to such cuts—an amount equal to about 7 per cent of GNP.

While this is true, it misses the basic point of the Gramm-Rudman plan: to make the auto-

with the problem. But despite

Advertisement for Carroll McEntee & McGinley Incorporated, featuring a CM&M logo and text about their Tokyo Representative Office opening on January 6th, 1986.

R-T PROPERTY AND CONSTRUCTION GROUP PLC

Balfour Beatty for Refurbishment 01-686 8700

Bridget Bloom and Lionel Barber examine the escalating battle over a UK defence contractor

Philosophies shape Westland tussle

THE BATTLE over the future of Westland, the British helicopter maker, which a few weeks ago was still principally a financial crisis...

company's loss of technological expertise and design capability. In the trade-offs inevitable in such a deal, its opponents argue...



Mr Brittan: 'absurd to discriminate'

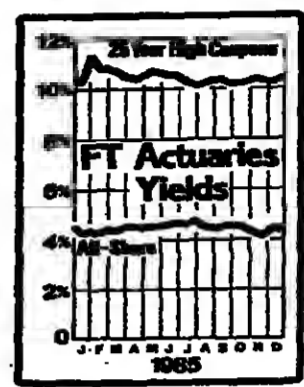
offered its co-operation on the project. Such co-operation, they argue, can now be negotiated from a position of strength.

because of its proposed link-up with Sikorsky as unjustified and possibly dangerous. Mr Brittan is apparently concerned that any such blackballing of Westland might be interpreted by the US as a hostile act inviting retaliation.

THE LEX COLUMN

Crossed fingers in the City

Bull markets do not last for ever and it is always possible that equity prices will be travelling in the same direction as commission rates throughout 1986.



takeover, it would by now take a bid for Unilever to create a real surprise. The obvious bid candidates already reflect a significant premium in their share prices...

Plessey turns to US courts in battle to thwart GEC bid

BY CHARLES BATCHELOR IN LONDON THE TAKEOVER battle between the rival UK electronics giants, General Electric Company and Plessey, took a surprising turn late on New Year's Eve when Plessey announced it had enlisted the US courts in its fight against GEC's unwelcome £1.1bn (\$1.7bn) bid.

governing other stock markets, particularly those in the US. GEC warned that Plessey's US legal challenge might jeopardise the entire bid and harm the vast majority of Plessey shareholders in the interests of a small minority, Plessey's US dollar shares account for 1.6 per cent of its total equity.

Lawson optimistic on UK economic recovery

Continued from Page 1 rent account has remained in substantial surplus for six years running. Exports have grown particularly fast over the past two years and are unlikely to grow as fast this year, but a substantial current account surplus is still in prospect...

Problems loom over rescue package for Pan-Electric

BY CHRIS SHERWELL IN SINGAPORE A RESCUE PLAN for Pan-Electric Industries, the debt-ridden Singapore marine salvage and property company, became technically void yesterday because a key condition remained unfulfilled at midnight on December 31.

directly holds 22.6 per cent of Pan-Electric. It followed the unprecedented suspension of the Singapore and Malaysia stock exchanges for three days, when Pan-Electric's troubles threatened to prompt a chain of stockbroker defaults.

even than in 1981-82, when Geoffrey Howe with great courage introduced a tougher budget than anyone expected. This is true even if you add to the PSBR the proceeds of privatisation. And it is true even though, as you say, oil revenues are somewhat lower than expected.

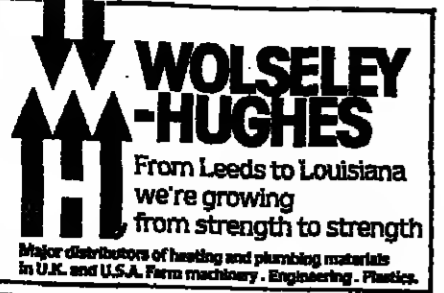
World Weather table with columns for location, temperature, and weather conditions.

Nigeria puts ceiling on debt repayments

banks and governments, it implies that the naira is to continue to float down to a more 'realistic' level and vague reference is made to creating a 'second tier foreign exchange market' which might involve the free sale of limited amounts of hard currency through the commercial banks (no details are given).

Wherever you're going, the going is easier with Tokai Bank. Entering a new market? Trying to get the most out of an old one? Tokai can help.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday January 2 1986



Setback for German Co-op share flotation

BY JOHN DAVIES IN FRANKFURT
PLANS FOR an early stock market launch of shares in West German Co-op supermarket chain have suffered a setback...

Chase ends its presence in Jordan

BY Tony Walker in Amman
CHASE MANHATTAN Bank of the US has effectively pulled out of Jordan by failing to agree to central bank requirements...

Year-end writedowns by three big US groups

BY OUR FINANCIAL STAFF
THREE BIG US companies have announced substantial year-end writedowns in asset values to reflect depressed conditions in industries ranging from cement to aluminium and oilfield services.

Global Marine plans unit sale

GLOBAL MARINE, the debt-laden US offshore drilling contractor, is soliciting cash offers for its oil and gas subsidiary, Challenger Minerals, Reuter reports from Houston.

Beatrice profits down sharply

BY OUR FINANCIAL STAFF
NET PROFITS at Beatrice Companies, the US food and consumer products group that is being acquired by Kohlberg, Kravis Roberts for \$6.2bn, fell sharply in the third quarter of 1985...

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 31.

Union Carbide in assets sale deal

BY OUR FINANCIAL STAFF
UNION CARBIDE, the US chemicals group which is battling to defeat a \$5.1bn takeover bid from GAF, has announced its asset sale programme by agreeing to sell property for \$170m and most of its worldwide chromium, tungsten and vanadium businesses for \$63m.

NOTICE OF REDEMPTION TO HOLDERS OF ENSO-GUTZEIT OY
Kawati Dinars 5,000,000
10 per cent. Guaranteed Notes Due 1989
Second Mandatory Redemption Due 15th February, 1986, Of Kuwaiti Dinars 1,000,000

Table with columns: U.S. DOLLAR STRAIGHTS, Issued, Bid, Offer, Change on week, Yield. Lists various bond issues like Amco 10 1/2, Allied Credit 10 1/2, etc.

Table with columns: OTHER STRAIGHTS, Issued, Bid, Offer, Change on week, Yield. Lists various bond issues like Barclays Aust 12 1/2, Creditbank 12 1/2, etc.

Table with columns: DEUTSCHE MARK STRAIGHTS, Issued, Bid, Offer, Change on week, Yield. Lists various bond issues like Aachen Dev Bank 8 1/4, Austria Republic 7 1/4, etc.

US oil groups halt talks

TEXACO and Pennzoil temporarily halted out-of-court talks to settle Pennzoil's \$1.1bn court judgment against Texaco after the companies listed the Texaco oil and gas fields they wish to have included in any settlement, AP-DJ reports from New York.

SECURITY PACIFIC CORPORATION

Subordinated Floating Rate Notes due 1992
Notice is hereby given that for the interest period from January 2, 1986 to April 2, 1986 the Notes will carry an interest rate of 8 1/2% per annum.

GUTEHOFFUNGSHUTTE OVERSEAS N.V.

USS25,000,000 7 1/2% per cent. Guaranteed Bonds 1991/88
S.G. WARBURG & CO. LTD. announces that the redemption of USS25,000,000 due on 1st February, 1986 has been met by purchases in the market to the nominal value of USS1,940,000 and by a drawing of Bonds to the nominal value of USS23,060,000.

CONVERTIBLE

Table with columns: Conv., Conv., Bid, Offer, Change on week, Yield. Lists convertible bonds like Agropromco 3 2000, Comstar 7 2000, etc.

COMMERCE

Table with columns: Com., Com., Bid, Offer, Change on week, Yield. Lists commercial bonds like Amco 10 1/2, Allied Credit 10 1/2, etc.

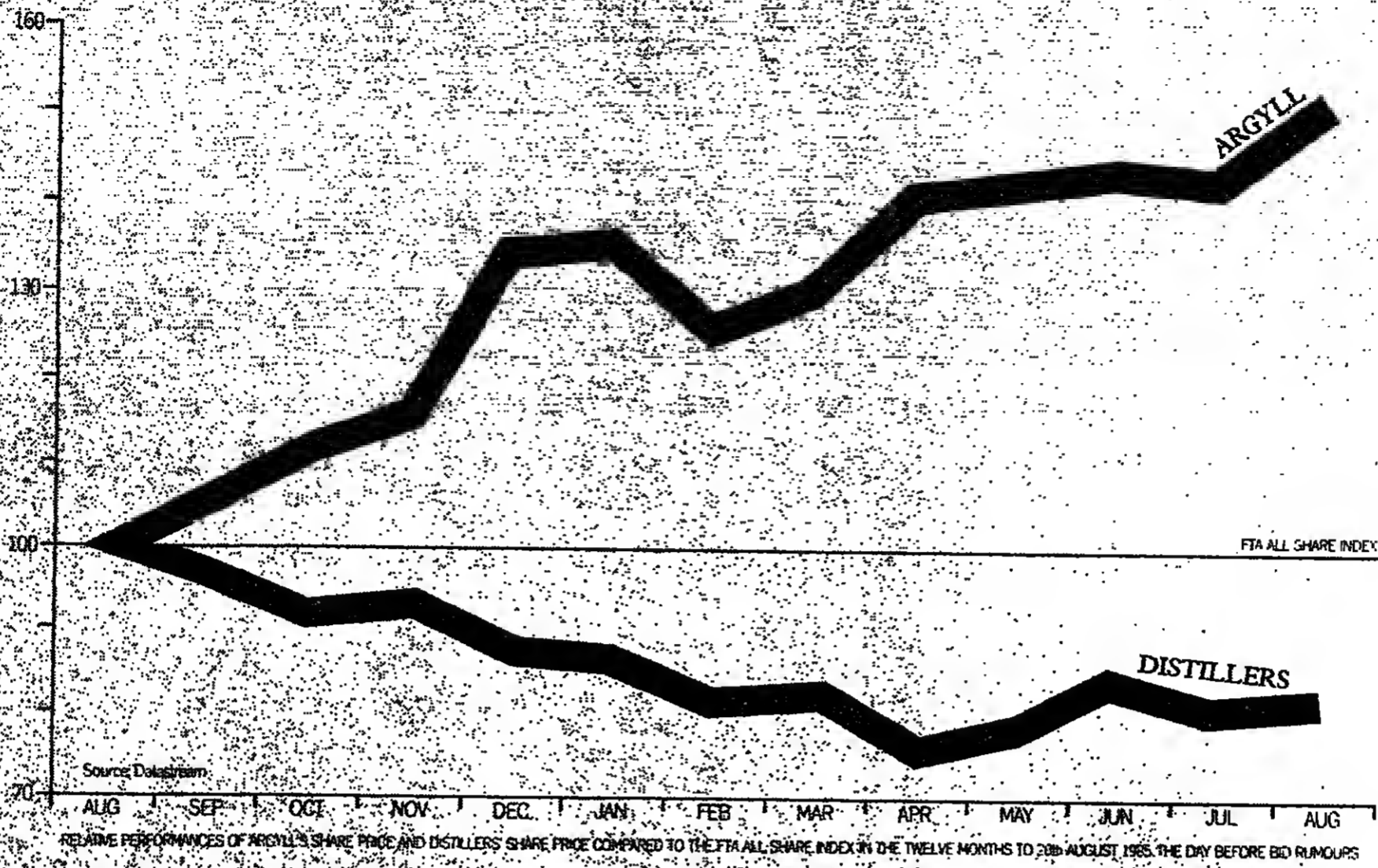
LADBROKE INDEX

1,133-1,137 (+8)
Based on FT Index
Tel: 01-427 4411

AIBD BOND INDICES

Table with columns: Redemption Yield, Change on Week, 12 Months High, 12 Months Low. Lists indices for US Dollar, Canadian Dollar, Eurocurrency, etc.

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Argyll. We can revive Distillers' spirits.

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Do not accept their offer to buy your shares on the cheap.

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Support your winning team

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□ Continue to give your management your full support — they are worthy of it.

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Britannia Arrow

Continue to ignore the offer.

1986: it's all stations go - except, of course, for the lawyers

By A. H. HERMANN, Legal Correspondent

LAST YEAR it seemed to be more difficult than ever to forget the trees and to see the wood. During 1985 so many separate issues assumed quite extraordinary proportions and intensity: the miners' strike and the conversion of the unions to the rule of law; the scandals in the City; the decision to impose a rule of law on it; the eruption of mega-mergers and the demise of competition law; the Laker litigation with its humbling of the British Government in the US courts and its decision to join the banishment of treble-damage litigation if it could not beat it. The Community has been expanded, its purposes of produce and deficits of money reached unprecedented heights.

Searching for a common denominator, one can only say that populations and trading corporations became too big and too heterogeneous for a legal system tailored to the measure of small town entrepreneurs and men of property. This year will bring the next stage in the transformation of the City, and we may well see big changes in the European Community, and in transatlantic and East-West relations. Every-thing seems to be surging forward, bursting out of the conventional tracks; only the legal system stands fast, resisting change, its practitioners self-centred and self-indulgent as ever.

Indeed, instead of moving forward, the superior courts are still crawling backwards; it will take more than two years to demolish Lord Denning's heritage but the courts are applying themselves diligently to the task. While non-marital associations and children born out of wedlock are on the increase, the courts are putting back the clock, reversing Denning's fairness to common law wives by the male chauvinism of trust lawyers.

If only they could also revert to the "freedom of contract" to its supremacy over consumer protection, and return judicial review of administrative acts to limbo, the circle would be complete and Denning would be relegated to history.

At a time when state traders dominate half the world market, English courts have successfully gnawed away at the concept that states should not enjoy sovereign immunity when they enter the

State traders dominate half the world market, but the English courts have whittled away the principles of the 1979 Sovereign Immunity Act

market place. The 1979 Sovereign Immunity Act, which incorporated a concept that had been loudly expounded by Lord Wilberforce, has been whittled away step by step as demonstrated by the Colombian Embassy and Settebello cases. The US courts are no less inconsistent but more easily impressed by the wishes of the banks and of their Government, as was vividly illustrated by the two contradictory judgments given by the same court in the Puerto Rican bonds case.

On the tax front, the principle that only real transactions should matter and that taxes should not be avoided by means of artificial paper transactions, established by the House of Lords in the Ramsey case, is being whittled away by Chancery judges only reluctantly and spasmodically. This is only a part of the general reluctance of courts to move - or better to return to an interpretation of law

a computer - and one would hope that it will be used to improve the co-ordination of the judges' time schedules with those of counsel appearing before them.

By contrast, the legal profession proudly sticks to every restrictive and wasteful tradition it can think of. As Mr R. Alexander, the chairman of the Bar, told solicitors keen to be allowed into the High Court, at least on formal and imposed business: "Divided we stand, united we fall." It is the fear of losing some conveyancing business that makes solicitors press for a greater share in litigation. The "single capacity" of solicitors and barristers in high courts is ridiculous but the substance and procedure of the solicitors should consider establishing the kind of relationship with small and medium firms that their predecessors had with rich families. However, instead of creating new business, law-

yers look out for more of the same. Solicitors have voted for advertising, and the barristers will follow. Solicitors realise that their services are much too expensive if they have to turn to the barristers every time a legal problem emerges. The City firms increasingly manage without barristers attracting more and more legal talent into their offices.

Some of the bigger provincial firms may follow this example, but for others, the future seems to be in becoming business solicitors who do not litigate, but advise their clients on how to avoid litigation. There is great scope for them in this regulatory age to take up law compliance work and to recover from the accountants and merchant bankers some of the work which is done by American lawyers as a matter of course. The English solicitors have lost such work because they made money so much more easily by conveyancing, probate and divorce work.

The past year was one of great hopes for arbitration. The

escalation of legal costs underlined the role which arbitration is playing in certain business sectors and could also play in others. To expand further, particularly in the area of international arbitration, and to recover some of the business lost in this field because of the possibility of delaying appeals to courts, English arbitration law would have to be clarified and returned to its original intention.

The necessity to prepare for a possible judicial review of the award, the system of calculating fees, and the weakness of the arbitrator's position vis-à-vis the lawyers who play an important part in his appointment, leads to inordinately long and costly hearings. It seems unfortunate that instead of concentrating on the hearing need to improve the arbitration law and procedure now, the attention was shifted to the Model Law, adopted by UNCITRAL in 1976, but still no more than pie in the sky.

The delays in updating London arbitration seem all the more regrettable since arbitration is now playing a greater role worldwide, as demonstrated by the US Supreme Court when it extended its use to anti-trust disputes in the Mitsubishi decision. There is some hope that a new vigorous intellectual impetus will come from the newly established School of International Arbitration. One hopes that the Centre for Commercial Law at Queen Mary College, of which the school is part, will generate pressure for reform in this and other branches of business law - the field which, one notes with regret, the Law Commission seems almost to have given up.

US locomotives for quarry concern

FOSTER YEOMAN, a quarry business based near Shepton Mallet, Somerset, has ordered four diesel locomotives from General Motors of the US. The company says they are more reliable and give better performance than anything it could buy from British manufacturers.

The locomotives, which will run on British Rail tracks in January, can haul a train of 4,900 tons. They will be maintained by BR drivers and engineers.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts and their performance metrics, including names like British American, British Overseas, and various international funds.

A FINANCIAL TIMES SURVEY INVEST IN BRITAIN Wednesday January 8 1986 For further information, please contact COLIN DAVIES on 01-236 1234

FT CROSSWORD PUZZLE No 5,911. A crossword puzzle grid with numbers 1 through 27.

ACROSS 1 Do we gather the girls taken the barometer? (12) 10 Brown isn't prepared to come round for the moment (7) 11 Inept first aid assistant takes half an hour (7) 12 Turning point in door manufacture (5) 13 Not having a vehicle, a quarter will enter untroubled (8) 15 I choose to speak at length to some cross people (10) 16 The girl ought to be taken in soon (4) 18 To talk of the power of a small child (4) 20 Before the salesman returned, I let Ron deal with the intruder (10) 22 Picture the main space when it's been rebuilt (8) 24 The doctor is to back "In Good Health" as a theme- (5) 26 -and, alters, taking a long time about it, the programmes (7) 27 The sea, when leaving Asia, brings you to these islands (8) 28 One who rears livestock is holding a party for one of his employees (4, 8) DOWN 2 Characteristic feature of Oriental scenes, oddly enough (7) 3 Irritable artist against going into burlesque (8) 4 The second mate set about taking some food (4)

Granville & Co. Limited Over-the-Counter Market. Table with columns: High, Low, Company, Price, Change, Div. Yield, P/E, Fully Paid.

The Republic of Italy US \$300,000,000 Floating Rate Notes due 1997. In accordance with the provisions of the Notes, notice is hereby given that the Interest Amounts payable on the next Interest Payment Date 27th January, 1986 will be US \$ 493,48 for each US\$ 10,000 Note and US\$ 10,836.82 for each US\$ 250,000 Note.

FOCUS ON SOUTH AFRICA SERIES. A special advertising series featuring companies involved in South African commerce and industry appeared in the Financial Times between October 9 and October 23, 1985. Brochures containing this series are now available at a cost of £3 per copy.

AUTHORISED UNIT TRUSTS & INSURANCES

Main table containing financial data for various unit trusts and insurance companies, including names, addresses, and performance metrics.

INSURANCES

Table listing various insurance policies and providers, including details on coverage and terms.

INSURANCE, OVERSEAS & MONEY FUNDS

Table of financial data for various insurance and overseas funds, including company names, fund names, and numerical values.

Table of financial data for insurance and overseas funds, including company names, fund names, and numerical values.

Table of financial data for insurance and overseas funds, including company names, fund names, and numerical values.

Table of financial data for insurance and overseas funds, including company names, fund names, and numerical values.

Money Market Trust Funds

Money Market Bank Accounts

NOTES

OPTIONS

Table of options data, including call rates and various option types.

COMMODITIES AND AGRICULTURE: FORECAST 1986

Tin crisis deepens the gloom

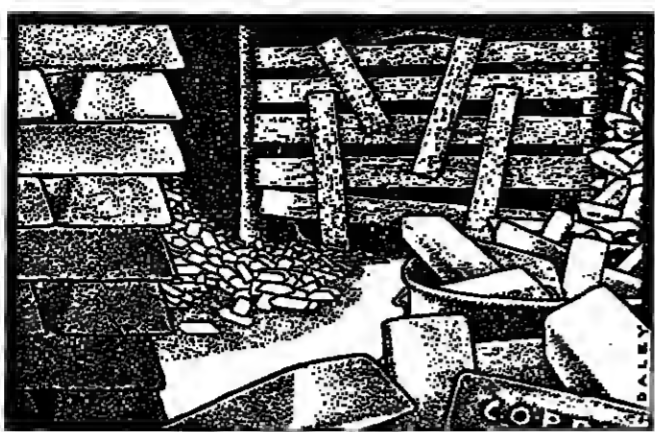
1985 HAS been a year that the metal markets will be glad to put behind them. Unfortunately, it is not clear that 1986 will be much better.

The crisis in the tin market dominates the scene. The search for a settlement has taken up the last two months of 1985 and could last a lot longer. And whether or not a deal is eventually struck between the International Tin Council and its creditors, the consequences of the disruption of tin trading will almost certainly be felt throughout 1986 and beyond.

But even without the tin crisis, 1985 was not a good year for metal markets. A generally dull outlook for metal prices drove away business: investors turned instead to the burgeoning markets in financial instruments, attracted by the possibilities of profiting from the volatility of exchange and interest rates.

At first sight, the performance of metal prices on the LME over the year does not seem of all unimpressive—they rose strongly in the first months of 1985 before falling away equally rapidly thereafter. However, this movement is largely accounted for by the climb of the US dollar against sterling and other currencies which peaked in May and was followed by a fairly bumpy decline.

This is not the whole story, however. Since dollar metal prices also generally declined in the second half of the year before perking up in December. This movement reflected changing opinions about the future course of the US economy,



METAL MARKETS ANDREW GOWERS

which consumes about a quarter of the Western world's metals. But the majority of LME brokers is not at all bullish about metal prices for 1986. A straw poll of forecasts indicates that brokers are cautious at best about predicting strong metal prices.

The underlying reasons are not hard to find. The potential production of the world's mining companies is well ahead of consumption in most base metals. In the 1960s and 1970s the expectation of a much higher rate of growth in the world economy than has in fact materialised.

The cutbacks in the industry over the past five years, which have been particularly severe in North America, have not been enough to match the fall in demand. Often, the re-

than in older industries like ship-building. In developing countries, which are still investing strongly in heavy and civil engineering schemes, metals are used more intensively.

However, metal and mining companies have learnt to their cost not to rely on heavy projections of growth in debt-laden developing countries. The developed world is still the market that matters. In copper for example, seven countries—the US, Japan, West Germany, France, the UK and Canada—accounted for nearly three-quarters of the Western world's consumption in 1984.

The decoupling of economic growth and growth in metal consumption in the current economic recovery has been a source of concern for financial institutions. Falling inflation and historically-high real interest rates have persuaded metal consumers to carry lower stocks.

But it would be rash to predict that the metal markets will know no uncertainty or excitement in 1986. Apart from the anxieties of the tin crisis, brokers have the continuing uncertainty of financial institutions about the US mining industry. 1986 is the year that many triennial labour contracts fall due; it seems unlikely that even in these depressed times they will all be renegotiated without a strike or two. It might be that the struggle could persuade a debt-laden North American mining group to push through the closures that are needed in copper, for example. And to what end?

Official closing (am): Cash 791.8 (795.5), three months 786.4 (790.5), 12 months 761.5 (768.5). Final close: 794.55. Turnover: 8,025 tonnes.

LONDON MARKETS

BULLISH fundamental factors were reasserted in the London coffee futures market on Tuesday encouraging a new wave of speculative buying. The return, which was boosted by the strong tone on the New York market, was a continuation of the trend which began on Monday afternoon. By then a technical sell-off had trimmed some \$400 of the recent \$400 gains in nearby positions.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Table with columns: Unofficial + or - of closed, High/Low, Cash, 3 months, 12 months. Includes data for Aluminium, Zinc, Lead, Tin, and other metals.

COPPER

Table with columns: Higher grade, Unofficial + or - of closed, High/Low, Cash, 3 months, 12 months. Includes data for Copper, Nickel, and other metals.

LEAD

Table with columns: Unofficial + or - of closed, High/Low, Cash, 3 months, 12 months. Includes data for Lead, Tin, and other metals.

NICKEL

Table with columns: Unofficial + or - of closed, High/Low, Cash, 3 months, 12 months. Includes data for Nickel, Tin, and other metals.

ZINC

Table with columns: Unofficial + or - of closed, High/Low, Cash, 3 months, 12 months. Includes data for Zinc, Tin, and other metals.

INDICES

Table showing financial indices: FTSE 100, DOW JONES, REUTERS, etc. with columns for Close, High, Low, Prev.

NEW YORK

Table showing New York market data: ALUMINIUM 40,000 lbs, COCOA 10,000 lbs, COPPER 25,000 lbs, etc.

CHICAGO

Table showing Chicago market data: MAIZE 5,000 bu, CRUDE OIL (LIGHT) 42,000 US gallons, SOYABEAN MEAL 100 tons, etc.

SUGAR

Table showing sugar market data: LONDON DAILY PRICE—Raw sugar, etc.

COFFEE

Table showing coffee market data: COFFEE (YESTERDAY'S CLOSE), etc.

GRAINS

Table showing grain market data: LONDON GRAINS—Wheat, etc.

SOYABEAN MEAL

Table showing soyabean meal market data: SOYABEAN MEAL 100 tons, etc.

POTATOES

Table showing potato market data: POTATOES—Both April and May positions, etc.

WHEAT

Table showing wheat market data: WHEAT (YESTERDAY'S CLOSE), etc.

SILVER

Table showing silver market data: SILVER—Silver was fixed 6.75p on ounce, etc.

MEAT

Table showing meat market data: MEAT—End of year book squaring and a slightly firmer physical market, etc.

STEEL DRUM PLANT

THE Brady Drums Group is to close its light engineering factory in Aintree, Liverpool, and switch production of steel drums to other centres.

LONDON METAL EXCHANGE

Table showing London Metal Exchange warehouse stocks: Aluminium, Copper, Lead, etc.

MEAT COMMISSION

MEAT COMMISSION—Average forecast prices at representative markets: GB Cattle 55.80p per kg, etc.

Traumatic times in the produce markets



SOFT COMMODITIES STEFAN WAGSTYL

from the producers' point of view, an increasingly difficult political climate for international commodity agreements which aim to support prices of iron ore, tin, rubber, etc.

The only bright spot in the past couple of months, as far as the producers are concerned, has been coffee, which has leapt to eight-year highs as a result of an expected halving of the 1986 Brazilian crop by drought.

In many ways, what most traders expect to find in 1986 is more of the same. In sugar, for example, the familiar structural problems which have reduced the world free market to marginal status remain.

They succeeded in pushing the International Sugar Agreement price—calculated on the basis of New York and London prices for raw Caribbean sugar—down to a record low monthly average of 2.72 US cents per pound in June 1985, which is a mere fraction of production costs in even the most efficient growing country.

However, prices have picked up substantially since last June (on New Year's Eve, the ISA 15-day average was quoted at 3.24 cents), and it is widely believed in the trade that they will continue to rise in 1986.

There are several reasons for this. First, some countries, led by Brazil, restrained their exports last year in a bid to improve the market. Second, crops in Cuba and the Dominican Republic have suffered from drought and hurricane damage. Third, demand from Third World sugar importers has perked up, particularly in India,

where production fell. Partly as a result, most forecasters are expecting that this year and possibly next, the market will be in deficit after years in surplus.

The "drawdown in stocks, though, will probably be quite small, so any price rise is likely to be modest. In cocoa, the market was in surplus in 1984-85, and leading trader Gill and Duffus believes it will be again in the current season.

For both cocoa and rubber, whose price fell to its lowest level in three years in 1985 amid sluggish consumption, all eyes will be fixed this year on commodity pact negotiations. Many observers believe that the present difficulties of the International Tin Agreement will have an inevitable knock-on effect on these commodity pacts.

In February, a fresh round of talks will take place in Geneva on renewing the International Cocoa Agreement, which is due to expire in September. But producing and consuming countries still seem far apart on what sort of price levels the pact should aim to sustain—and in any case, there must be doubts over the Agreement's eventual efficacy, given that the highest price in the US is certain to stay out.

Later in the year, there will be another round of talks on the International Natural Rubber Agreement, which expires in 1987. But here, too, there is a wide gulf between producers and consumers, and both sides are showing varying degrees of frustration over the operations of the pact's buffer stock manager, who has spent over \$800m amassing a stockpile approaching 400,000 tonnes without having much appreciable impact on prices.

As far as coffee is concerned, increasing strains in the international agreement which aims to regulate its price through export controls are also likely to dominate the scene. The US has already let it be known that it is reviewing its position on the pact. But it is now likely that the recent price rise will force the complete suspension of export quotas in mid-February, and the International Coffee Organisation, which administers the agreement, may find it extremely difficult to reassert control over the market.

The more subdued world of tea has also had its share of excitement over the past couple of years. In 1984, India, the largest producer, suspended and then restricted its exports, prices soared. But other producers plucked tea for all they were worth, and cash in on the high prices, and last autumn India lifted all export controls in a bid to recoup lost market share.

As a result of the growing surplus, Indian auction prices crashed to their lowest level in more than two years. Despite the likelihood of another bumper Kenyan crop this year, tea brokers are now hoping that the worst is over and that prices will recover somewhat in the New Year. But in tea, as in most of the other softs, everyone involved has learned from bitter experience not to overdo the optimism.

BATTERED AND BRUISED

1985, traders in and producers of many of the soft commodities can have at least one consolation as they gaze into the New Year: 1986 can hardly be much worse. Among the traumas of the past 12 months have been: a decline in world free market sugar prices to an all-time low in real terms; a substantial weakening in rubber and cocoa prices under the influence of surplus supplies; a precipitous drop in tea prices, following the peaks climbed in 1984, and a sharp drop in two other previous star performers, palm oil and orange juice.

AGRICULTURE

The saltness were rattling more loudly than ever behind the big exporters of temperate farm produce during 1985. And there are signs that in 1986, a battle of a more serious kind will be joined. The basic problem of world agriculture is one of over-capacity: too much grain, too many seeds, meat and dairy produce chasing static or dwindling numbers of customers. In 1986, that problem will, if anything, get worse.

Nobody realises this more acutely than the European Community and the US, both of which have been struggling with increasing difficulty in recent years to keep their over-sized agricultural industries alive. Equally, neither side has yet had much success in doing anything to ease the pressure from over-supply.

In little sign of an easing of the pressure from over-supply, the US Secretary of Agriculture reported in his annual assessment of the dairy market last month, heavy stocks of butter will continue to depress prices for some time.

The transatlantic battle intensifies

As for meat, the picture is, strikingly similar, according to Britain's Meat and Livestock Commission. EEC beef stocks, which reached a record level in 1985, will continue to overshadow the world market this year, as will fierce competition between European and South American exporters—particularly in the all-important North African and Middle Eastern markets.

So what are the prospects that the two biggest agricultural powers—the Americans and the Europeans—will get to grips with some of these issues in 1986? The agrarians can be found in 1986, and they are not good. In fact, both sides were last year presented with a seemingly ideal opportunity to grapple seriously with agricultural reform, and both failed in their different ways.

In America, the chance came with the debate in Congress on agricultural legislation for the next five years. The Reagan Administration started out with all guns blazing in favour of phasing out agricultural support altogether and making US agriculture more attuned to the marketplace.

However, after immense lobbying pressure on Congress from a farm belt witnessing bankruptcies on an unprecedented scale, the Administration embarked on yet another export subsidy programme—this time with \$2bn-worth of surplus produce. Blazing in favour of a specific attack on markets specifically stolon by the EEC.

And the President ended up by signing into law an Agriculture Act which will indeed lower the price of American exports—and with it world prices—but only at the considerable expense of freezing farm incomes by means of increasing deficiency payments.

Steel drum plant in Aintree to close

THE Brady Drums Group is to close its light engineering factory in Aintree, Liverpool, and switch production of steel drums to other centres. Redundancy notices were issued to the 200 engineering and clerical workforce just before Christmas and the factory, which the company said lost \$400,000 last year, will close in three months.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

Table showing London Metal Exchange warehouse stocks: Aluminium, Copper, Lead, Nickel, Tin, Zinc, Silver.

UNLISTED SECURITIES MARKET

The Financial Times is proposing to publish a Survey of the Unlisted Securities Market on Monday January 27 1986. For further details and advertisement rates, please contact: NIGEL PULLMAN, Financial Times, Bracken House, 10 Cannon Street, London EC4A 3DF, Tel: 01-248 8000.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar finishes year weak

The dollar was already showing downward trend to another 2 1/2-year low against the D-mark, when the US November trade deficit of \$13.68bn was announced. This was higher than expected, and at the same time the October deficit was revised to a record \$1.6bn, compared with a previous figure of \$1.45bn. The deficit for the first 11 months of the year of \$13.9bn, compared with \$13.36bn for the same period of 1984, while the deficit with Japan in November was the second highest on record, at \$4.58bn, against \$3.2bn in October. Although the figures depressed the dollar in New York and London, Continental centres such as Frankfurt and Paris had already closed for the New Year holiday, and trading was very thin.

£ IN NEW YORK

Table showing exchange rates for £ in New York, including columns for Dec 31, Prev. close, and % change.

The franc gained ground against the dollar in calm Paris trading on Tuesday. The dollar finished at FF 7.54 in Paris, virtually unchanged from the opening, but down from Monday's London close of FF 7.5825, and also slightly weaker than the New York finish of FF 7.5475. JAPANESE YEN—Trading range against the dollar in 1985 was 222.15 to 220.25. November average 224.97. Exchange rate index 177.8 against 155.1 six months ago. The yen continued to improve against the dollar in very quiet trading. The dollar closed at ¥201.10 on Monday. During the day the US currency touched a one-month low of ¥200.10, on speculative selling as dealers became concerned that the dollar may fall below ¥200 while the Tokyo market is closed for three days holiday over the New Year. On the other hand it is expected that commercial demand will lend support to the dollar when trading resumes on Monday. The US currency last fell below ¥200 on November 25, when it slipped to a five-year low of ¥199.80 in Tokyo.

FINANCIAL FUTURES

Quiet trading

Prices were slightly lower in very quiet trading on the London International Financial Futures Exchange on Tuesday. Eurodollars for March delivery opened at 92.27, and remained around 92.26 to 92.27 throughout the morning, before falling to 92.25 just before Chicago began trading. Expectations of a high Federal funds rate, because of year end pressure kept prices depressed. The US trade deficit of \$13.68bn in November was higher than market forecasts of around \$12bn, and pushed March Eurodollars up to the day's high of 92.28, but at this level the contract met with selling and fell back to close at 92.26, compared with 92.29 on Monday. With many other financial markets closing early, and traders generally reluctant to take out new positions before the new year holidays on Life and other futures, the market took virtually no notice of the higher than expected rise of 7.7 per cent in November US new home sales. Dealers pointed out that the rise was offset by a revised decline of 7.8 per cent in the October figure, from a previous fall of 5.3 per cent. US Treasury bond futures were also very quiet, opening at 85-05, for March delivery, in line with the previous day's close, and rising to 85-10 ahead of the trade figures. The contract touched a peak of 85-12, but failed to sustain that level as sellers entered the market, pushing the price back to 85-05, against 85-10 at the previous settlement. March gilt began at 111-04 and traded within a narrow range of 111-00 to 111-05, with nothing to stimulate market interest. Sterling gained a little ground against the dollar, but failed to benefit fully from the weakness of the US currency, providing little prospect of any early reduction in clearing bank balances.

The dollar fell to DM 2.4455 from DM 2.4590, the lowest level since May 1985, and also declined to FF 7.50 from FF 7.5625; SFR 2.06 from SFR 2.0790; and ¥200.25 from ¥201. On Bank of England figures the dollar's index fell to 125.3 from 125.8. STERLING—Trading range against the dollar in 1985 was 1.4885 to 1.5228. November average 1.4648. Exchange rate index fell to 177.8 against 155.1 six months ago and touched

POUND SPOT—FORWARD AGAINST POUND

Table showing pound spot and forward rates against the pound, including columns for Dec 31, Day's spread, Close, One month, % Three months, % Six months.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies, including columns for Dec 31, Bank of England, Morgan Stanley, % Change.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Table showing dollar spot and forward rates against the dollar, including columns for Dec 31, Day's spread, Close, One month, % Three months, % Six months.

OTHER CURRENCIES

Table showing other currencies, including columns for Dec 31, Bank of England, Morgan Stanley, % Change.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies, including columns for Dec 31, £, \$, DM, YEN, FF, SFR, HFL, Lira, C\$, R\$. Fr.

CURRENCY RATES

Table showing currency rates, including columns for Dec 31, Bank of England, Morgan Stanley, % Change.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates, including columns for Dec 31, Short term, 7 days notice, 1 month, Three months, Six months, One year.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European currency unit rates, including columns for Dec 31, Country, Currency, Value of £ Sterling.

MONEY MARKETS

London rates firm

Interest rates were firm in quiet trading on the London money market on Tuesday. Three-month money was offered as high as 12 per cent, but closed unchanged at 11 1/2 per cent. Discount houses buying bills rose to 1 1/4 per cent from 1 1/2 per cent. The Bank of England initially forecast a money market shortage of £300m, but changed to £700m at 11 per cent, and provided total assistance on the day of £745m. Before lunch the authorities bought £280m bills outright by way of £25m bank bills to band 1 in band 2 at 1 1/4 per cent; £113m bank bills in band 3 at 1 1/2 per cent; and £250m bank bills in band 4 at 1 1/2 per cent. Late assistance of around £50m was also provided. Bills maturing in official hands, repayment of Treasury notes and a take-up of Treasury bills drained £666m, with Exchange transactions absorbing £10m. These outflows were offset by £100m in liquidity and bank balances above target by £30m. In New York the Federal Reserve injected liquidity into the banking system, by way of a two-day open market purchase agreement, when Federal funds were trading at 10 per cent. There were considerable strains on the system because of end of quarter and end of year pressure for funds, as well as the need to settle reserve positions at the end of the regular two-week statement period for banks. In Frankfurt call money rates varied widely between 5.30 per cent and 6 per cent as demand for funds at the end of the year was high.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing, including columns for Dec 31, Bid 7/8, Offer 8.

LONDON MONEY RATES

Table showing London money rates, including columns for Dec 31, Over night, 7 days notice, Month, Three months, Six months, One year.

MONEY RATES

Table showing money rates for various currencies, including columns for Dec 31, Over night, One month, Two months, Three months, Six months, One year.

LONDON

Table showing London market data, including columns for 20-year 12% notional gilt, 10% notional short gilt, three-month sterling, three-month eurodollar, and three-month eurodollar.

US TREASURY BONDS

Table showing US Treasury bonds, including columns for 20-year 12% notional gilt, 10% notional short gilt, three-month sterling, three-month eurodollar, and three-month eurodollar.

CHICAGO

Table showing Chicago market data, including columns for 20-year 12% notional gilt, 10% notional short gilt, three-month sterling, three-month eurodollar, and three-month eurodollar.

CHICAGO

Table showing Chicago market data, including columns for 20-year 12% notional gilt, 10% notional short gilt, three-month sterling, three-month eurodollar, and three-month eurodollar.

STERLING INDEX

Table showing Sterling index, including columns for Dec 31, Previous, % Change.

STERLING INDEX

Table showing Sterling index, including columns for Dec 31, Previous, % Change.

STERLING INDEX

Table showing Sterling index, including columns for Dec 31, Previous, % Change.

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Table showing Sterling index, including columns for Dec 31, Previous, % Change.

STERLING INDEX

Table showing Sterling index, including columns for Dec 31, Previous, % Change.

STERLING INDEX

Table showing Sterling index, including columns for Dec 31, Previous, % Change.

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Company Notices

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS UNITED KINGDOM CURRENCY EQUIVALENTS In accordance with the standard conditions relating to the payment of the dividends declared by the undemutated companies on 10 December 1985, and on 4 December 1985 (in the case of The Clydesdale (Transvaal) Calleries Limited), payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R3.01614 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittance between the Republic of South Africa and the United Kingdom on 27 December 1985 as advised by the companies' South African bankers. The United Kingdom currency equivalents of the dividends are therefore as follows:

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 31, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Large table showing world value of the pound, including columns for Country, Currency, Value of £ Sterling, Country, Currency, Value of £ Sterling, Country, Currency, Value of £ Sterling.

BRITISH FUNDS

Table of British Funds with columns for Fund Name, Price, and % Change.

AMERICANS - Cont.

Table of American Funds with columns for Fund Name, Price, and % Change.

LONDON SHARE SERVICE

BUILDING, TIMBER, BRICKS - Cont.

Table of Building, Timber, and Bricks shares with columns for Company Name, Price, and % Change.

ENGINEERING - Cont.

Table of Engineering shares with columns for Company Name, Price, and % Change.

HOTELS - Cont.

Table of Hotels shares with columns for Company Name, Price, and % Change.

Shorts (Lives up to Five Years)

Table of Short-term investments with columns for Investment Name, Price, and % Change.

Five to Fifteen Years

Table of 5-15 year investments with columns for Investment Name, Price, and % Change.

DRAPERY & STORES - Cont.

Table of Drapery and Stores shares with columns for Company Name, Price, and % Change.

ELECTRICALS

Table of Electrical shares with columns for Company Name, Price, and % Change.

INDUSTRIALS (Misc.)

Table of Industrial shares with columns for Company Name, Price, and % Change.

Over Fifteen Years

Table of 15+ year investments with columns for Investment Name, Price, and % Change.

Unrated

Table of Unrated investments with columns for Investment Name, Price, and % Change.

CANADIANS

Table of Canadian shares with columns for Company Name, Price, and % Change.

INDEX-LINKED

Table of Index-linked investments with columns for Investment Name, Price, and % Change.

INT. BANK AND OCEAS GOVT. STERLING ISSUES

Table of International Bank and Overseas Government Sterling issues with columns for Investment Name, Price, and % Change.

BANKS, HP & LEASING

Table of Banks, Hire Purchase, and Leasing shares with columns for Company Name, Price, and % Change.

CORPORATION LOANS

Table of Corporation Loans with columns for Investment Name, Price, and % Change.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics shares with columns for Company Name, Price, and % Change.

DRAPERY AND STORES

Table of Drapery and Stores shares with columns for Company Name, Price, and % Change.

FOOD GROceries, ETC.

Table of Food Groceries and other shares with columns for Company Name, Price, and % Change.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans with columns for Investment Name, Price, and % Change.

LOANS

Table of Loans with columns for Investment Name, Price, and % Change.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits shares with columns for Company Name, Price, and % Change.

HOTELS AND CATERERS

Table of Hotels and Caterers shares with columns for Company Name, Price, and % Change.

FOREIGN BONDS & RAIS

Table of Foreign Bonds and Rais with columns for Investment Name, Price, and % Change.

AMERICANS

Table of American shares with columns for Company Name, Price, and % Change.

BUILDING, TIMBER, BRICKS

Table of Building, Timber, and Bricks shares with columns for Company Name, Price, and % Change.

ENGINEERING

Table of Engineering shares with columns for Company Name, Price, and % Change.

HOTELS AND CATERERS

Table of Hotels and Caterers shares with columns for Company Name, Price, and % Change.

INDUSTRIALS (Misc.)

Table of Industrial shares with columns for Company Name, Price, and % Change.

INDUSTRIALS—Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

LEISURE—Continued. Table listing leisure-related stocks such as hotels, resorts, and entertainment venues.

PROPERTY—Continued. Table listing real estate and property-related stocks.

INVESTMENT TRUSTS—Cont. Table listing various investment trusts and funds.

FINANCE, LAND—Cont. Table listing financial institutions, land-related stocks, and other financial services.

MINES—Continued. Table listing mining stocks from various regions including Africa, Australia, and the Americas.

NOTES. Section containing various notices, advertisements, and legal notices.

LONDON STOCK EXCHANGE

MARKET REPORT

Memorable year for equities draws to unexciting close

Account Dealing Dates... First Declared Last Account... A very good year for equities, which will long be remembered for unprecedented takeover speculation and the year of the magnum, drew to quiet close in London on Tuesday.

Equities market; the rise was accompanied by vague takeover talk... Mr. John G. W. Smith... The market for equities was generally buoyant... The year's performance was impressive, with a gain of 18.3 per cent.

FINANCIAL TIMES STOCK INDICES... Table with columns for Dec 31, Dec 30, Dec 29, Dec 28, Dec 27, Dec 26, Dec 25, Dec 24, Dec 23, Dec 22, Dec 21, Dec 20, Dec 19, Dec 18, Dec 17, Dec 16, Dec 15, Dec 14, Dec 13, Dec 12, Dec 11, Dec 10, Dec 9, Dec 8, Dec 7, Dec 6, Dec 5, Dec 4, Dec 3, Dec 2, Dec 1, 1985.

HIGHS AND LOWS... S.E. ACTIVITY INDICES... Table with columns for High, Low, and various indices like Govt. Secs, Fixed Int., Ordinary, Gold Mines.

Wassall, at 57p, lost 14 of Monday's Press-inspired gain... The market for equities was generally buoyant... The year's performance was impressive, with a gain of 18.3 per cent.

Norsemen, 8 up at 288p, showed... Total contracts struck amounted to 6,584... The FT-SE 100 Index contract was well to the fore with 1,832 calls and 442 puts done.

Among Newspapers, United rose 8 to 282p, while elsewhere... The market for equities was generally buoyant... The year's performance was impressive, with a gain of 18.3 per cent.

Properties remained selectively... The market for equities was generally buoyant... The year's performance was impressive, with a gain of 18.3 per cent.

London Merchant Securities, a depressed market of late following disappointing annual figures... The market for equities was generally buoyant... The year's performance was impressive, with a gain of 18.3 per cent.

Irish oils revive... News that Mexico had cut its crude oil prices by an average 80 cents per barrel dampened recent buying enthusiasm for leading oil shares.

Gold's quiet firm... Business in mining markets receded to near-negligible levels... The market for equities was generally buoyant... The year's performance was impressive, with a gain of 18.3 per cent.

Kennedy Smale... Apart from the reaction in Berchem movements in leading miscellaneous industrials were limited to a couple of pence either way.

RECENT ISSUES

EQUITIES... Table with columns for Issue, Price, and other details for various stocks like Abbott Mead, Ashby, Cable & Wireless, etc.

FIXED INTEREST STOCKS

Table with columns for Issue, Price, and other details for fixed interest stocks like Allied Lon, BNP Paribas, etc.

RIGHTS OFFERS

Table with columns for Issue, Price, and other details for rights offers like Anglo Saxon, etc.

OPTIONS

Table with columns for Last Deal, Last Decl, Last Settling, and other details for options.

TUESDAY'S RISES AND FALLS

Table with columns for Rise, Fall, and other details for Tuesday's market movements.

FT-ACTUARIES SHARE INDICES

Table with columns for Equity Groups & Sub-sections, Index No., and other details for FT-actuaries share indices.

FIXED INTEREST

Table with columns for Average Gross Redemption Yields, Price Indices, and other details for fixed interest instruments.

TUESDAY'S ACTIVE STOCKS

Table with columns for Stock Name, Price Change, and other details for Tuesday's active stocks.

MONDAY'S ACTIVE STOCKS

Table with columns for Stock Name, Price Change, and other details for Monday's active stocks.

Can Europe catch up? A bound reprint of a series of articles "Can Europe catch up?" and "Towards a Free Trade Community"...

LONDON TRADED OPTIONS

Table with columns for Calls, Puts, and other details for London traded options.

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WORLD STOCK MARKETS

Table of World Stock Markets including sections for Austria, Germany, Norway, Australia (continued), Japan (continued), Belgium/Luxembourg, Spain, Sweden, Hong Kong, Canada, France, Netherlands, Switzerland, and Japan. Each section lists stock prices and changes for various companies and indices.

Table of Canadian Stock Markets including Toronto and Montreal. Toronto section lists closing prices for December 31, and Montreal section lists closing prices for December 31. Both sections include various stock symbols and their corresponding prices.

Table of Stock Indices including New York, South Africa, and various international indices. It provides a summary of index values and their changes over time.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market closing prices for December 31. It lists numerous individual stock prices and their fluctuations.

Advertisement for Danish companies with the headline "What's special about these Danish companies?". It lists various Danish firms such as ABN Bank, Carlsberg, and others, and includes contact information for the Financial Times.

Text block providing subscription information for the Financial Times, including contact details for Peter Lancaster and the phone number 022 311603/4.

Text block containing the phone number 01-13 44 41 and additional contact information for the advertisement.

Closing prices, December 31

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock name, price, and change.

NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices with columns for Stock, Div, Yld, High, Low, and Change. Includes sub-sections like 'Continued from Page 28' and 'World Economic Indicators' at the bottom.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices with columns for Stock, Div, Yld, High, Low, and Change.

OVER-THE-COUNTER

Table of Over-the-Counter closing prices with columns for Stock, Sales, High, Low, Last, and Change.

World Economic Indicators every Monday-Only in the Financial Times

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WORLD STOCK MARKETS

WALL STREET

Optimism proves pervasive

FINANCIAL MARKETS on Wall Street saw the old year out in style as almost all the significant stock market indices bumped their recently established peak levels, rounding off the sparklingly successful final three months of 1985, writes Terry Byland in New York.

As the US securities markets reopen today after the New Year's Day holiday, investors hope to see the stock markets continue to respond to the wave of optimism that kept prices on the boil over the Christmas period.

Wall Street moves into the new year buoyed by hopes of an early cut in the federal discount rate, and by the implications of the fresh dip in the dollar, which on Tuesday took the US currency briefly below the ¥200 level, previously a resistance point.

Analysts at the brokerage houses and investment banks take an optimistic view of prospects for the first half of this year. Corporate profits are expected to begin showing the benefits of the favorable factors underlying the recent surge in stock prices.

The fall in US interest rates, with the slide in the dollar with which it is linked, should boost earnings across a broad range of US industry. The collapse of Opec oil pricing policies is expected to stimulate world economies, as well as help to keep inflation subdued.

But a televised symposium of Wall Street analysts was somewhat cautious last week when assessing stock-market prospects for the whole of 1986, with several members suggesting that the Dow Jones industrial average might not show much change over the 12 months.

In part, their caution reflects lingering doubts over the pace of the US economy, which was still sputtering in November, according to the Commerce Department's Index of Leading Indicators, which showed a meagre gain of 0.1 per cent.

Moreover, there is some concern that the staggering rise in the stock market since the end of September may imply vulnerability to a correction phase. The upsurge has been featured repeatedly by speculative buying of futures contracts on the Standard & Poor's 500 index. The main investment institutions have been prominent speculators in index futures, and have often driven stock prices up when a discount opened be-

tween the contract and the underlying stocks.

Takeover speculation has also played a significant part in the stock market drama. In addition to feeding the investment fever, the latest developments in the takeover industry have brought huge increases in corporate debt, which have attracted the attention and concern of the Federal Reserve.

Both stock-market speculation and corporate debt ratios might be undermined later in 1986 if the economy fails to show the 4 per cent growth rate predicted by the Reagan Administration.

However, corporate results for the final 1985 quarter, due within three weeks, should confirm the strength of several favoured sectors of the market.

First in significance will be the news from IBM, which paced the market throughout last year.

IBM is venerated on Wall Street for its innovative management, but the technology sector as a whole is ideally

suited to benefit from a lower dollar and lower US interest rates.

Results from the pharmaceutical industry will reflect the effects of a weakening dollar on their overseas sales, which make up about half the industry's total revenue. The US leaders, such as Bristol-Myers, Merck and Pfizer, are maintaining their strong lead in an increasingly global market for patent drugs, and will introduce many new products this year.

Also high on the list of analysts' favourites are the money-centre bank stocks, which will continue to reap the benefit of lower rates and low inflation. Pressures to cut prime lending rates are growing but every week's postponement fills the banks' coffers.

Some market sectors may prove less popular, however. The Detroit motor stocks have stalled, as the leading manufacturers have again pumped sales by offering generous customer financing. Sales continue to flag and Wall Street expects production cuts soon if matters fail to improve.

Retail Stocks have been laggards as the traditional leaders of the industry struggle with tough price competition and careful shoppers. The delayed buy-out plan for Macy's, the premier department store, might still prove the opening shot in a restructuring of the industry.

Even those sluggish sectors of the market are likely to follow the industrial sector higher if the January corporate results flow provides the impetus. But that would still leave Wall Street feeling apprehensive about the second half of the year. Investors will need to show a little more caution over the next 12 months than was necessary between September and December 1985.

TOKYO

Foreigners face staff problems

A SCARCITY of qualified trading clerks is proving a headache for the six foreign securities firms granted seats on the Tokyo Stock Exchange (TSE) last year as they prepare to start operating on February 1, writes Shigeo Nishizaki of Jiji Press.

The difficulty is so acute that the TSE says it may permit recruitment of foreign clerks, providing their command of the Japanese language is sufficient for them to communicate with their counterparts in Japanese securities houses.

Merrill Lynch Japan, a subsidiary of Merrill Lynch of the US, plans to recruit the son of a president of a US securities firm. Meanwhile, all six firms are hunting trading clerks through newspapers' offering them up to twice their current salaries.

The foreign companies - Merrill Lynch, Goldman Sachs, Morgan Stanley, Vickers da Costa, S. G. Warburg and Jardine Fleming - will occupy six of the 10 new seats created on the TSE, each costing ¥1bn (\$4.97m) or ¥1.1bn.

Merrill Lynch, the largest of the newcomers, is expected to threaten the dominance of the Big Four Japanese securities houses, Nomura, Daiwa, Yamachi and Nikko, when a 24-hour global trading system is introduced.

Mr Tetsundo Iwakuni, chairman of Merrill Lynch Japan, sees Tokyo as an integral part of a "money Shinkansen" (bullet train) between New York and London. His company's strategy is to promote trading in US and Japanese securities, underwriting on international markets and handling mergers and acquisitions in Japan.

Mr Shoji Oshima, director of Vickers da Costa's Tokyo branch, commented that the priority of Japanese securities firms had been quantity rather than quality in transactions. His firm will focus on quality of service and should provide a stimulus to the Japanese market, he added.

Mr Yoshio Hoshino, director of Jardine Fleming Securities, said his company would draw on its wide experience of pension and mutual fund management in the US and Europe in developing its operations in Japan.

In general, the foreign firms also aim to concentrate on overseas clients, initially, rather than attempt to compete head-on with Japanese securities houses on their own turf.



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